

IFR

INTERNATIONAL FINANCING REVIEW

AUGUST 22 2020 ISSUE 2347 www.ifre.com

- › **Rusal gears up to issue more sustainable debt after interest costs slashed on US\$1bn loan**
- › **Ant Group prepares listing that might raise US\$30bn and become the biggest IPO ever**
- › **More 'Covid claws' expected in high-yield as PE shops hope for UK government support**

EQUITIES

Two China-UK listings set to brave political tension

03

BONDS

Happy returns for Aussie duo: ANZ and NAB back for Tier 2

06

BONDS

Redemption clause plea falls on deaf ears in US bond market

08

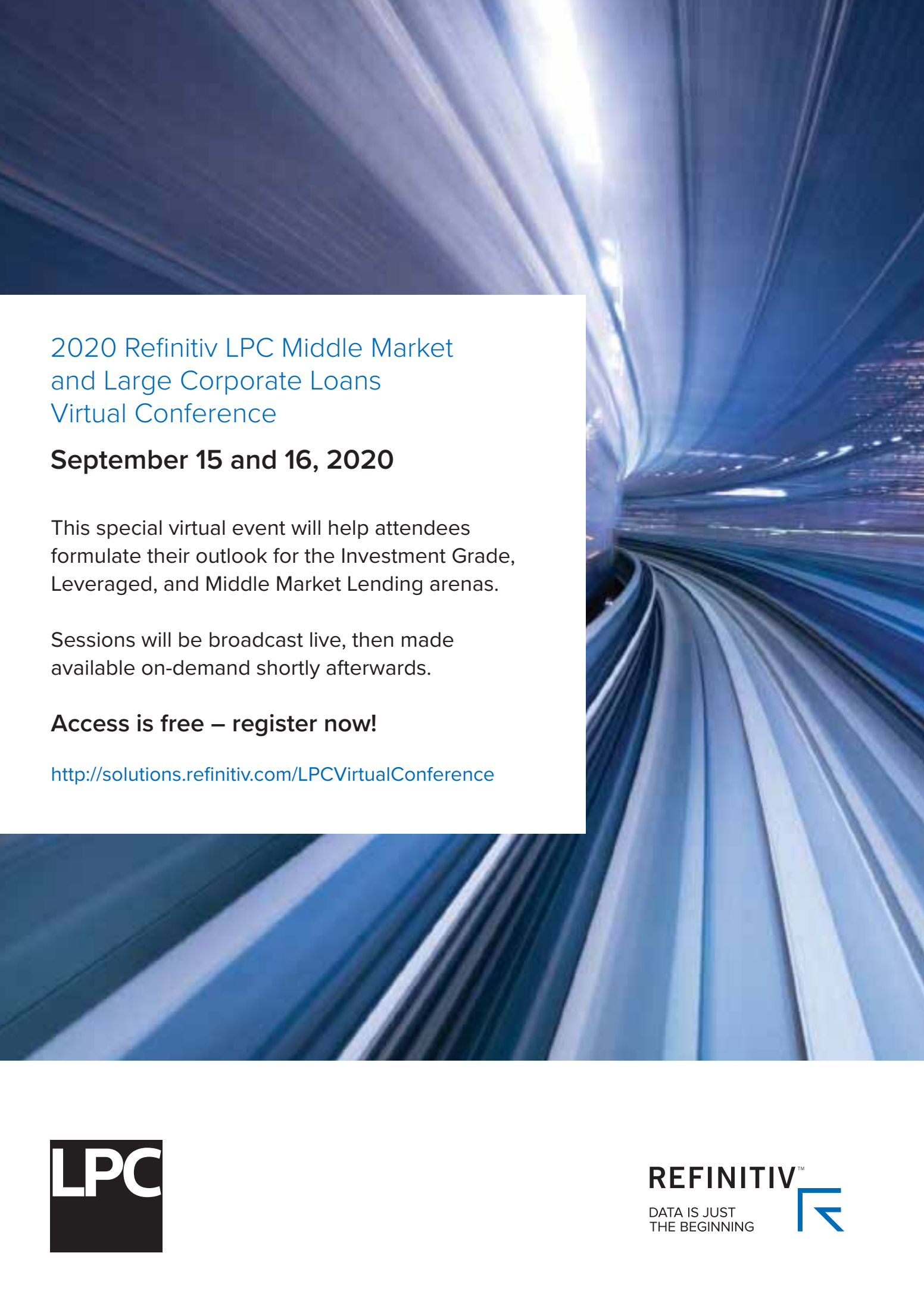
EQUITIES

Sabre double-dips with US\$550m equity combo and US\$850m bond

09

VISIT...

LANZAROTE
Caliente.COM



2020 Refinitiv LPC Middle Market and Large Corporate Loans Virtual Conference

September 15 and 16, 2020

This special virtual event will help attendees formulate their outlook for the Investment Grade, Leveraged, and Middle Market Lending arenas.

Sessions will be broadcast live, then made available on-demand shortly afterwards.

Access is free – register now!

<http://solutions.refinitiv.com/LPCVirtualConference>



Ant to elephant

Ant Group is lining up its elephant-sized public listing in the midst of a political circus. Keeping all parties happy will require some serious acrobatics.

The Chinese fintech giant is marching towards a dual listing in October, having formally started its IPO tutorial process in Shanghai last week. A Hong Kong listing application is days away.

Assuming regulators play ball, that timetable puts it on track to complete the giant fundraising ahead of the US elections on November 3 (and affiliate Alibaba's 11.11 shopping festival eight days later).

It's easy to see why Ant's owners are so keen to get things moving. Equity markets are racing higher, fuelled by storming tech stocks, and its own earnings have never been better (its first-quarter profit gained 560% on the previous year to surpass US\$1.3bn, according to Alibaba's latest filings).

With ample liquidity out there right now, Ant has a chance of commanding a handsome valuation and could even beat Saudi Aramco's US\$29bn IPO record. Waiting any longer risks missing that opportunity.

But this timeline also brings the company and its affiliates into the crosshairs of US politicians, with both main presidential candidates campaigning on an anti-China platform. And based on previous examples, nothing gets President Donald Trump's attention like a successful Chinese technology company.

Ant's business is not as exposed to US politics as, say, Bytedance, which is under intense pressure to sell its TikTok unit. The US move against Tencent's WeChat platform, however, suggests that Ant's mobile payments business could well come under scrutiny. Alibaba's US listing is another touchpoint, and Ant's prospectus will make it clear how far its Alipay network overlaps with the US financial system.

Ant may also find it harder to attract US institutional investors to its Hong Kong leg if the current US administration continues to ramp up the pressure on federal savings funds.

Juggling a deal of Ant's size would be difficult at the best of times. Completing the world's biggest listing in such an environment would be a real circus trick.

Covenant controversy

It's a one-sided battle in the US corporate bond market. Not only are issuers able to price record amounts of debt, at coupons that are grinding ever tighter. But they are also able to cling on to terms that enable them to stiff investors even after they've handed over their cash.

The latest controversy, which sparked heated debate between syndicates and investors in deals for ICE and Roper Technologies last week, is over special mandatory redemption language in bonds used to pre-fund M&A transactions.

These once obscure clauses are triggers designed to protect the buy-side and return cash to investors in the event that a merger does not go through. Lately, it is the issuers using these clauses to their full advantage.

In July, Waste Management delayed its merger with Advanced Disposal, thus triggering a special redemption at a cash price of 101 for bonds that were issued in May 2019. The bonds had been trading at a price of 115–120 in the secondary market – stinging investors with a 15%–20% drop in value overnight.

Buy-side groups have made noble efforts to try to remedy what they see as an unfair loophole for issuers, and a middle ground is possible. The Credit Roundtable suggests a spread-based redemption price, rather than a fixed cash price, which would be likely to put more cash in investor pockets and not break the bank for issuers.

The two M&A financing deals last week became test cases for investor efforts to push for better special redemption terms.

Unsurprisingly, those efforts failed.

Even in the busiest year of supply on record for the asset class, issuers still hold all the cards as fixed-income investors scramble for all the paper they can get their hands on.

Buy-side advocates are right to push for stronger investor protections in what are extraordinary times for corporate bond markets. But for now, issuers have no incentive to budge, and most investors are happy to take what they are given.

Tough times

It is not surprising that the UK government is working to bail out private equity-owned companies with taxpayer money. Such companies are crucial to the British economy with over 843,000 people on their books, making them as a group the second largest employer in the UK after the NHS.

But there are good reasons to be uncomfortable with a heads-I-win-tails-you-lose bailout for the PE barons that is envisaged.

One is the PE playbook itself: sponsors use aggressive amounts of leverage to raise returns but also to shrink their tax bills – and that makes their companies especially vulnerable to disruption.

So the government should at least explore stopping dividend payouts, or enforcing equity writedowns in exchange for support via the Coronavirus Large Business Interruption Loan Scheme. After all, PE shops have nearly US\$2.5trn of unused cash on hand that could be called on.

Nonetheless, with the UK government's furlough scheme due to run out in October, and consumer demand not back to normal levels, many companies are set to face a cash crunch in a matter of months. Ultimately, however uncomfortable or difficult it will be to support companies owned by PE shops, it may be necessary. As anyone who lived through the misery of the early 1980s in the UK will know, protecting jobs should be the overwhelming priority.

Rusal lines up more sustainable debt

■ **Bonds/Loans** Russian aluminium giant targets cost-effective sustainability

BY TESSA WALSH

Russian aluminium giant **RUSAL** is getting ready to issue more sustainable debt after hitting key performance indicator targets on its US\$1.085bn sustainability-linked loan despite the coronavirus crisis. It is considering a range of instruments, including a sustainability-linked bond issue.

Rusal will be monitoring the markets from September for a window to refinance more debt into a sustainable format, after seeing the margin on its sustainability-linked pre-export financing loan drop by 15bp to 210bp over Libor in July as a result of hitting its KPI targets.

The company is even ready to issue green bonds tied to a specific use of proceeds if market conditions allow.

"Rusal is very well positioned for ESG-linked debt instruments, so we continue monitoring markets for potential new transactions,

maybe in the form of public debt like green bonds," said Oleg Mukhamedshin, Rusal's director for strategy, business development and financial markets.

However, competitive pricing on the loan is also encouraging Rusal to consider issuing another sustainability-linked instrument – either loans or bonds – that link its financing costs to performance against KPI targets.

"We are ready to consider any type of sustainability-linked financing; we're just looking for an appropriate window for that type of placement," Mukhamedshin said.

The outstanding US\$1.085bn five-year pre-export SLL was issued in October 2019 and was the first from a Russian company. It was designed to highlight Rusal's commitment to low-carbon technology and "green" aluminium production, as most of its products are produced with hydropower.

"This sustainability-linked loan reflected the market support for Rusal's sustainability issues, and is also in line with rising global demand for low-carbon aluminium," Mukhamedshin said.

The deal had three KPI targets: to increase sales of Rusal's "Allow" low-carbon aluminium brand, reduce its carbon footprint and to decrease fluoride emissions. All targets were achieved or exceeded on the loan's first annual test in July, and the 15bp sustainability discount will last until mid-2021.

AMBITIOUS TARGETS

Hitting targets during a global pandemic inevitably raises questions around the ambition of those targets.

Beyond that basic outline, Rusal did not disclose details of its KPIs, but said that it has ambitious and dynamic targets that change over time, in line

with a recent push for more challenging ratcheting targets in the loan market.

"The target levels vary year after year, which is reflected in the agreement," Mukhamedshin said.

Rusal said that it was able to hit them as it had continued aluminium production throughout the crisis. Reduced demand and lower aluminium prices caused a net loss of US\$76m in the first half, but the company is confident of meeting 2020 targets.

The ambition – or otherwise – of KPIs is currently a major focus for a market that has not seen an SLB for nearly a year after Italian utility Enel issued the first two such trades in late 2019.

SUPPORTIVE

One loan banker was broadly supportive of Rusal's sustainability claims and strategy on the pre-export SLL.

Ant kicks off Star preparations

■ **Equities** October listing in sight with Hong Kong IPO filing expected this month

BY FIONA LAU

Chinese digital payments unicorn **ANT GROUP** has kicked off preparations for a Shanghai Star IPO, paving the way for a simultaneous A/H listing that could fetch more than US\$20bn in October.

Ant, the parent company of Alipay, China's largest mobile payments business, has begun a tutorial with *CICC* and *CSC Financial* to familiarise itself with the listing requirements of the Star board before formally filing a listing application, according to a document published on the website of the Zhejiang bureau of the China Securities Regulatory Commission on August 14.

The tutorial process in the mainland Chinese market typically takes around three months, but some recent high-profile listings have shortened that timeframe considerably.

Last Friday, Ant also applied for an overseas listing with the China Securities Regulatory Commission, a prerequisite for its Hong Kong offering.

Ant's Hong Kong listing application is expected to be filed as early as the week of August 24, other people close to the deal told IFR earlier, again putting an October listing on the cards.

"For such a landmark transaction, the regulators will do whatever they can to

facilitate a fast listing," said a banker away from the deal.

The dual listing could value Ant at more than US\$200bn, with the Hong Kong leg raising about US\$10bn, according to people close to the deal. Total proceeds could even reach US\$30bn if market conditions allow, said the people, challenging Saudi Aramco's US\$29bn IPO as the world's largest.

Given the deal's mammoth size and its significance for the development of the Nasdaq-style Star market, regulatory approval for Ant's long-awaited IPO could take even less time than that for the Rmb53.2bn (US\$7.7bn) Star IPO of Hong Kong-listed Chinese chipmaker Semiconductor

Manufacturing International in July.

It took SMIC around 70 days to complete its Star IPO. The chipmaker started an IPO tutorial on May 7 and filed a listing application on June 1. It won listing approval on June 19 and conducted bookbuilding on July 7. The shares started trading on July 16.

While Ant does not have SMIC's track record as a listed company, it is no secret that the Alibaba affiliate has been planning an IPO for years.

In the Shanghai Star market, IPO tutorials are handled by the sponsors, who are then required to buy 2% of the offering, up to a cap of Rmb1bn, and hold the shares for two years.

"Aluminium is an incredibly high energy production process and a company that's running off a higher degree of renewables, such as hydropower, is better than a company using coal," the loan banker said.

But a bond banker pointed out that Rusal would have to be provide more disclosure if it aims to tap an SLB or a traditional green bond.

"If you do a use-of-proceeds green bond, you need a pretty good story around that ... aluminium is a dirty manufacturing process," the bond banker said.

Aluminium is a recyclable building material, but developing low carbon "green" aluminium is critical to reduce the 4% share of global CO2 emissions that makes aluminium one of the seven highest-emitting sectors.

Rusal claims to be one of the world's top low-carbon aluminium companies as most of its smelters use hydropower. About 90% of its aluminium is produced using electricity from

renewable sources, which is supplied by hydraulic power plants in Siberia.

Hydropower production typically produces around two tonnes of CO2 emissions to produce one tonne of aluminium, while smelters that rely on coal-fired electricity can produce up to 18 tonnes.

"[Green] is a big thing for them. It feels like something they are focused on," the bond banker said.

DELEVERAGING DRIVE

Rusal is trying to lower its borrowing costs by refinancing with more sustainable debt as it pushes ahead with plans to deleverage its balance sheet and reduce debt, which stood at US\$6bn at the end of June.

"Our ultimate target is to improve our existing financing terms. Now we have such a successful loan raised with a low margin, we are definitely looking at an opportunity to increase that type of financing for refinancing purposes," Mukhamedshin said.

Additional reporting by Sudip Roy ■

Ant is working with CICC, Citigroup, JP Morgan and Morgan Stanley on the Hong Kong IPO.

Ant contributed Rmb3.03bn in earnings for Alibaba in the three months to March 31, according to the e-commerce giant's latest earnings report. As Alibaba owns a 33% stake in Ant, that would mean Ant made a Rmb9.2bn

profit in the first quarter, up 560% from the same period last year.

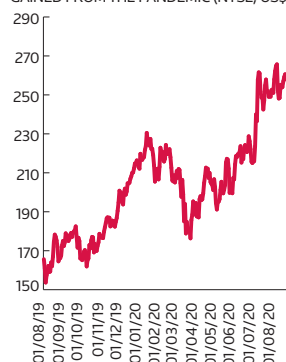
Ant raised US\$10bn at a valuation of about US\$150bn in a 2018 funding round backed by global sovereign wealth funds and private equity firms such as GIC, Temasek, Warburg Pincus, Carlyle Group and Sequoia Capital.

Alibaba spun off Alipay in 2011 to create Ant Financial, which was renamed Ant Group in May 2020. Ant provides digital financial services, including payments, insurance and wealth management, and served 1.3 billion customers in the 12 months to March 31 2020, according to Alibaba's latest annual report.

As of March 31, Alibaba founder Jack Ma controlled approximately 50% of Ant through equity investment partnerships, while Alibaba and other shareholders own the remainder. ■

ANTS AND AFFILIATES

ANT SHAREHOLDER ALIBABA HAS GAINED FROM THE PANDEMIC (NYSE, US\$)



Source: Refinitiv

China-UK listings brave political tension

■ **Equities** Two deals target US\$3bn–\$4bn in September

BY FIONA LAU

Shanghai-listed **CHINA YANGTZE POWER** and **SDIC POWER** are planning to offer global depositary receipts in London next month to raise a combined US\$3bn–\$4bn, even as political tensions between China and the UK intensify.

Relations between the two nations have become increasingly strained over issues, including the national security law in Hong Kong and Huawei's involvement in Britain's 5G network. Diplomatic frictions have made cross-border offerings unpredictable, although dealmakers continue to look for windows of opportunity.

"September is the target for now," said a person familiar with the deals. "We just hope the political tension won't rise further so the deals can go out as planned."

Yangtze Power, which generates electricity from Asia's longest river, is preparing to float a stake of around 5% through an offer of GDRs representing up to 1.1bn A-shares. Based on the company's closing price of Rmb18.98 in Shanghai on Thursday, the deal could raise about Rmb20.9bn (US\$3bn).

CLSA, Goldman Sachs, Huatai Financial and UBS are leading the transaction. Yangtze Power still needs approval from the China Securities Regulatory Commission, which agreed to review its GDR issue in mid-July.

For SDIC, this is not the first crack at the UK market. The power generator postponed a GDR sale in December, citing market conditions. People close to the deal previously said that the company delayed it because the price that investors were willing to pay was too low. At the time, however, it was also reported that China had temporarily blocked cross-border listings between

Shanghai and London because of political tensions with Britain.

SDIC plans to sell up to 10% of its outstanding share capital, or not more than 679m A-shares, in the form of GDRs. Based on the company's closing price of Rmb9.15 on Thursday, the deal could raise about US\$898m.

Goldman Sachs, HSBC and UBS are working on the deal. As of last Thursday, Yangtze Power's A-shares were up 3.3% this year while SDIC was down 0.2%.

Shanghai and Hong Kong-listed China Pacific Insurance Company in June sealed a US\$1.81bn GDR offer in London, ending a year-long wait for the second listing via the Shanghai-London Stock Connect trading link.

In June 2019, Huatai Securities raised US\$1.7bn from a landmark sale of GDRs in London, marking the launch of the Stock Connect, which deepened ties between the two financial centres and opened a new channel for Chinese companies to raise funds.

CPIC's deal also set a new benchmark for GDR pricing. The insurer sold GDRs at US\$17.60 each, or a 10.3% discount to its A-share pre-deal close. Huatai's GDRs priced at a 26% discount to its A-shares, and that discount has since been completely erased.

"Both Yangtze Power and SDIC will try to price their deals at no more than a 10% discount and are likely to bring in cornerstone investors as CPIC did," said another person close to the situation.

Cornerstone investor Swiss Re took 28% of the CPIC deal.

GDRs in CPIC closed at US\$21.40 last Thursday, 22% above the issue price. Trading of the stock, however, is still concentrated in Shanghai, then Hong Kong. Some Rmb989m of A-shares changed hands last Thursday, against HK\$288m in Hong Kong and US\$780,000 in London. ■

Hopes for extension ahead of pre-emption review

■ **Equities** UK's Pre-emption Group to meet this week over 20% cap on share sales

BY LUCY RAITANO

The UK's Pre-emption Group will meet this week to review its temporary relaxation of the pre-emption guidelines regarding equity raises. As uncertainty over a second wave of the coronavirus continues, European equity bankers are hoping for an extension.

The relaxation, implemented on April 1, allows companies to raise 20% of their share capital without pre-emption – that is, without having to offer stock to all shareholders – rather than the previous limit of 5%, and is valid until September 30.

"We'd prefer it to carry on as it enables companies to be much

more nimble," said one ECM banker. "There is much more flexibility if you can raise up to 20% and avoid needing all the audits, numbers, EGM approval and so on for a rights issue."

Caroline Stockmann, chief executive of the Association of Corporate Treasurers and a member of the Pre-emption Group, said the group would seek to understand whether companies using the relaxed measure did so on a basis of real need when it convenes virtually on Monday.

"One thing the group has always said is that this is a temporary move. Companies have got to be so careful about diluting shareholder rights, but if push comes to shove, shareholders of course would

prefer the business to survive," she said, adding that the change has received a lot of positive feedback.

"One thing the group has always said is that this is a temporary move. Companies have got to be so careful about diluting shareholder rights, but if push comes to shove, shareholders of course would prefer the business to survive"

Early adopters of the relaxed guidelines included ASOS, Hays, WH Smith and The Restaurant

Group, all of which raised between 13.4% and 19.99% of their share capital in the week after the announcement.

The Group will assess whether companies have complied with specific steps like fully explaining the circumstances around the issue, undertaking shareholder consultations, respecting soft pre-emption (where existing shareholders are the focus and bookrunners attempt to best replicate the existing register in allocations) and involving company management in the allocation process, Stockmann said.

■ **A WELCOME MEASURE**

Between April 1 and August 15, around 70% of UK primary

More 'Covid claws' expected in European high-yield

■ **People & Markets** Clause allows government-funded debt repayments, but there are issues to overcome first

BY ELEANOR DUNCAN

More European high-yield borrowers are likely to include clauses that allow them to pay back debt with coronavirus-related state support.

Analysts at CreditSights expect a pick-up in so-called "Covid claws" as the UK government looks at ways to offer loans to highly-levered companies owned by private equity groups.

"Any extension of the Coronavirus Large Business Interruption Loan Scheme to include sponsor-backed businesses may pave the way for the inclusion of more 'Covid claws' in the documentation of future issuance," wrote the analysts.

The first European borrower to include such a clause in its bond documents was **MERLIN ENTERTAINMENTS**.

The Blackstone-owned company's €500m five-year non-call two 7% senior secured notes, issued in April, contained a clause that would allow Merlin to repay 40% of the bonds within 120 days using proceeds from any coronavirus-related state support.

"Any extension of the Coronavirus Large Business Interruption Loan Scheme to include sponsor-backed businesses may pave the way for the inclusion of more 'Covid claws' in the documentation of future issuance"

However, Merlin, which was hard hit by the global lockdowns imposed to control the spread of coronavirus, has now run out of time to make use of the clause.

Merlin's 7% May 2025s were seen bid at 102.50 on Wednesday, according to Tradeweb data, ticking up slightly from 102.40 at the end of the previous week.

A spokesperson from Blackstone declined to comment.

■ **NOT A GIVEN**

Of course, such clauses will only be of any use if PE portfolio companies are able to access the CLBIL scheme in the first place and that is very far from a given.

One potential obstacle – and one that the UK government is seeking to find away around – is that such loans might breach EU state-aid rules.

The rules say that government support cannot be offered to "undertakings in difficulty" – including those companies whose losses are over 50% of share capital.

Sponsor-owned companies typically carry a lot of leverage

to make their structures more tax efficient (and profitable for their owners) but which also result in statutory losses. As a result, government support via the CLBIL might break state-aid rules, although sources said PE shops could access the scheme by reclassifying a slice of debt – loan notes or preference shares – in their capital stack as equity, said sources.

The British Private Equity & Venture Capital Association said in April that the European Commission should tweak its framework to take into account debt-funded businesses that are investing to grow and would be performing well were it not for the pandemic.

A spokesperson for the BVCA declined to comment further, while several PE companies declined to comment or did not respond to requests for comment.

capital raises above US\$50m made use of the relaxation to issue more than 10% of their share capital.

A second banker said it had been critical for companies' ability to recapitalise in the face of the crisis, drawing comparison with 2008.

"Looking back at the last financial crisis, you find that in the US there are no pre-emptive rights at all, and it's one of the reasons their companies recovered so much faster, while companies in Europe were squeamish and saw doing big rights issues as a death knell," the banker said.

"This time around management have been able to do a 20% accelerated bookbuild and come out smiling."

Sectors hard hit by lockdowns dominate the 20 deals which raised more than 15% of their share capital in the period. National Express, Jet2 owner Dart Group and The Gym Group

all raised 20% of their share capital, while EasyJet and JD Wetherspoon's raised 15%.

From the beginning of July, bulkier ABB issuance has tapered off, suggesting that most companies in immediate need of the measure have already used it.

"It seems a little early to go back to the status quo, and in the meantime you've solved the issue of smaller investors being left out"

"We got through the quick-twitch issuance, and we're now into the longer, slower, bigger rights issues, but that doesn't preclude another wave of 20% issuance," said the second banker.

Echoing several others, the two bankers said they would

prefer the rule to be permanently relaxed. Continued investor support will likely hinge on how well companies justify raising larger amounts of capital without reserving it first for shareholders.

RETAIL REVOLUTION

The easing of the rules also enabled UK retail investors for the first time to participate in large discounted share sales at short notice.

Retail tranches via PrimaryBid appeared on several large-ticket share sales in May and June, including the largest £2bn raise by Compass Group, after mounting pressure on companies to include individual investors in the deals, which had become more dilutive than usual.

"This rule change unlocked the capital markets in an incredible way," said Anand Sambasivan, co-founder and

CEO of PrimaryBid. "Soft pre-emption should be adhered to, and it should be a given that it means for every investor."

The platform has allowed companies to offer soft pre-emption to individual investors, who represent around 20% of FTSE 250 companies' shareholdings.

"It seems a little early to go back to the status quo, and in the meantime you've solved the issue of smaller investors being left out," said Sambasivan.

Bankers are generally supportive of the addition of retail, although it is not a focus for them.

"They've offered companies a relatively easy way of minimising noise from retail shareholders, but the reality is the number of retail investors and amount raised is irrelevant," said the second banker. ■

But even if ways are found for PE-backed companies to access the CLBIL scheme, there are other obstacles that may make participation difficult if not impossible. For instance, many sponsor-owned companies are simply too levered and have too many competing creditor interests to allow government money into their capital structures.

"Solving the regulatory barrier is only half of the problem," said James Collis, a partner in Squire Patton Boggs' financial services practice.

Companies with large piles of debt will have to convince different tiers of creditors, all of which have different priority claims, to accept such funds. Some creditors will inevitably have to agree to have their claims ranked behind any government money – and those kind of negotiations can be protracted and complicated, said Collis.

"While getting new money from the government is a step forward, one will need to go a step further and think about how that money can be inserted in the structure under existing

contractual arrangements – particularly those where creditor consent needs to be given," Collis said.

HEADROOM

Another problem for highly-indebted companies is simply one of "covenant headroom" for yet more debt to be taken on under existing agreements.

"Even if banks are willing to provide debt to highly-levered companies, do those companies have the capacity to take on further indebtedness?" asked one London-based high-yield investor.

"It may become a choice for bondholders: do you grant a covenant waiver in return for liquidity, or do you say 'enough is enough' with the risk that the business runs out of liquidity and ends up in restructuring?"

UNDERWHELMING

Under the CLBIL scheme, banks can offer loans of up to £200m with the backing of an 80% guarantee from the government. But the scheme has lent just £3.5bn to 516 borrowers – out of 938 applicants. In contrast similar schemes aimed at medium and small businesses

have lent £35.47bn and £13.68bn respectively.

According to Tim Metzgen, head of debt advisory at Alvarez & Marsal, banks have been loathe to access the scheme on behalf of sponsors because there is too much room for interpretation under EU regulations.

"It may become a choice for bondholders: do you grant a covenant waiver in return for liquidity, or do you say 'enough is enough' with the risk that the business runs out of liquidity and ends up in restructuring?"

"Banks have been shying away from putting themselves in a position where they feel like they're taking the risk that, when the guarantee needs to be used, the government pushes back and says 'you didn't follow the guidelines to the letter, or in the right way'," Metzgen said.

"What we're seeing is that the banks themselves are the ones that are steering [private equity]

companies away from using it, and instead putting in financing from their own balance sheet, which is sub-optimal."

BIG EMPLOYERS

There is a reason that the government is keen to find a way to advance money to the sponsor-backed companies. Such companies employ about 843,000 people in the UK, according to the BVCA, making PE firms as a group the second largest employers after the NHS.

Many of the companies are familiar household names in the consumer sector, and lots are struggling, even though sponsors are sitting on nearly US\$2.5trn of unused cash that was raised for new investments but could now be redeployed to support companies they already own.

With the UK government's furlough scheme – which pays some of the wages of employees who aren't working – set to end in October, and consumer demand still a long way from normal levels, many companies that have been hit by lockdowns face a cash crunch in the next few months. ■

Happy returns for Aussie duo

■ **Bonds** ANZ and NAB end six-month absence with bumper Tier 2 trades

BY JOHN WEAVERS

Two of Australia's four major banks, **AUSTRALIA AND NEW ZEALAND BANKING GROUP** and **NATIONAL AUSTRALIA BANK**, ended a six-month absence from the wholesale bond markets last week with well-received offerings of Tier 2 capital.

ANZ (Aa3/AA-/A+) broke new ground on Wednesday with a self-led A\$1.25bn (US\$906m) 10.5-year non-call 5.5-year Tier 2 Sustainable Development Goals floating-rate note issue.

The largest green/social/sustainability bank issue in the Australian market and first such Tier 2 bank deal Down Under secured a hefty A\$2.1bn-plus order book from 70 investors starved of major bank supply in any format since January.

The deal came two days after NAB (Aa3/AA-/A+) secured a

huge US\$5.2bn order book for a US\$1.5bn 2.332% 144A/Reg S 10-year bullet Tier 2 offering.

"In addition to the lack of senior supply, investors are more comfortable and have higher limits for the Tier 2 asset class, while the demand for socially responsible investments has been on a sharp upward trajectory for several years now"

The absence of senior major bank issuance, due to surging deposits and the Reserve Bank of Australia's A\$90bn Term Funding Facility, has caused substantial spread tightening and unusually large non-major bank trades as investors look to put their post-redemption cash piles to work.

Though senior supply is unlikely to be revived anytime soon, the Big Four still have to meet high Tier 2 targets set by the Australian Prudential Regulatory Authority. These require them to raise a combined A\$50bn net between July 2019 and January 2024, or A\$83bn gross after including maturing notes.

"In addition to the lack of senior supply, investors are more comfortable and have higher limits for the Tier 2 asset class, while the demand for socially responsible investments has been on a sharp upward trajectory for several years now," said Paul White, global head of capital markets at ANZ.

ANZ's new subordinated note issue, with expected ratings of Baa1/BBB+/A-, was priced 15bp inside 200bp area guidance at three-month BBSW plus 185bp.

It subsequently moved in to 183bp, or 7bp tighter than the 190bp spread seen for NAB's outstanding A\$1.4bn standard Tier 2 note offering, which is callable nine months after the ANZ SGD notes, in November 2026.

White said this secondary performance reflects ESG investors' stronger commitment and appetite for suitable assets than is generally seen for regular bonds.

Australian investors bought 88% of the notes, with Asia allotted 7% and New Zealand 4%, rounded to the nearest percentage point.

Asset managers took 83%, insurance companies 7%, banks 4%, middle market investors 3% and others 3%.

Wednesday's sale was the fourth GSS bond issue since 2015 from ANZ, which has also

Perp format makes Asia comeback

■ **Emerging Markets** Hong Kong-based Hysan prices region's first fixed-for-life perpetual since November

JIHYE HWANG

Hong Kong landlord **HYSAN DEVELOPMENT** has priced Asia's first fixed-for-life perpetual bond issue in almost nine months, in a popular deal that could lure other issuers to follow suit.

The US\$300m of senior guaranteed perpetual non-call three notes were priced at par to yield 4.85%, inside initial guidance of 5.3% area.

The perp marks the first time Hysan has used the fixed-for-life structure and the first bond issue from Asia in that format since November 26, when Philippines power company AC Energy raised US\$400m.

A banker on the Hysan deal said the fixed-for-life structure tends to catch on quickly when the market is open, raising expectations of further issuance.

Nomura's desk analysts expect more fixed-for-life perps to come from Hong Kong developers such as Sun Hung Kai Properties and CK Asset Holdings.

"Bonds from big Hong Kong family businesses will always go well because Hong Kong retail investors like them"

Hysan's Reg S offering gained strong support from investors, with a final order book of over US\$2.9bn from 149 accounts, leaving the deal almost 10 times covered. Orders peaked at US\$3.1bn before final guidance.

The new perps were priced 30bp wide of Hysan's existing perpetual securities, which are subordinated but have a more investor-friendly structure with coupon resets and step-ups to minimise interest rate risk. Hysan printed a subordinated guaranteed perpetual non-call 5.5 hybrid offering in February at a yield of 4.1%.

Other fixed-for-life comparables include a note issue from CK Infrastructure that was trading at 4.08%. CKI priced that perpetual non-call five offering in 2017 at 4.85% and has a BBB+ rating on the notes from S&P. Hysan's new perps have an expected rating of A3 from Moody's.

Nomura saw fair value for Hysan's new bonds at about 4.8% and noted that rate risk will be manageable in the coming year as US Treasury yields are expected to remain stable at

current levels. It also prefers the notes to Hysan's existing ones priced in February because of the shorter three-year call date and higher yield pick-up under the low rate environment. The older perps have a coupon step-up of 25bp in year 10.5 and an additional 75bp in year 25.5.

PRIVATE BANK DEMAND

Despite a bleak outlook for Hong Kong's recession-hit economy, Hysan's new deal gained strong investor support from private banks, which took almost a third of the notes.

"Bonds from big Hong Kong family businesses will always go well because Hong Kong retail investors like them," said one private banker. "Sometimes families and friends of the issuer will buy the bonds."

helped arrange numerous transactions for other issuers over that time, enabling its sustainable finance and capital markets teams to better understand the needs of the investor base.

ANZ sold its first green bond offering, a domestic A\$600m five-year deal, in May 2015. Though that was a fixed-rate senior note issue there was a lot of crossover interest in the new Tier 2 floating-rate offering.

After that initial transaction, ANZ looked to ramp up GSS bond issues aligned with the United Nations' Sustainable Development Goals and established an SDG bond framework in February 2018.

ANZ has committed A\$50bn to fund and facilitate SDG-linked sustainable projects for customers by 2025. These include environmental initiatives, increased access to affordable housing and better financial well-being.

ANZ debuted in the euro GSS market in February 2018 with a

€750m (then US\$929m) 0.625% five-year SDG Eurobond issue. It followed with a €1bn SDG 10-year non-call five 1.125% Tier 2 Eurobond offering last November, the first GSS and SDG subordinated bonds from a bank in a developed country.

"Independent reviews are important as they enable investors to be confident in the credibility and robustness of the transaction structure"

Following the latest transaction, ANZ now has about A\$4bn-equivalent of SDG bonds in issue.

Katharine Tapley, head of sustainable finance at ANZ, said impact-style investors are especially interested in ANZ's SDG bonds because they can use ANZ's annual impact reporting on the bonds to measure the

tangible results from their investments in sectors including aged care, hospitals and CO2 emission reductions and report that back to their own clients in turn.

"Independent reviews are important as they enable investors to be confident in the credibility and robustness of the transaction structure," she said.

STRONG YANKEE BID

Two days before ANZ's landmark trade, NAB turned to the Yankee market for a Tier 2 boost.

Joint bookrunners Citigroup, HSBC, JP Morgan, NAB and TD Securities were able to price the deal well inside 190bp–195bp area initial price thoughts at Treasuries plus 165bp.

American investors bought 61.7% of the notes with APAC taking 26.5% and EMEA 11.8%.

Fund managers were allotted 51.8%, insurance companies and pension funds 33.4%, central banks and official institutions 8.0%, hedge funds and private

banks 4.4% and banks 2.4%.

The previous major bank issue in US dollars was in January, when ANZ sold a US\$1.25bn 2.9% 10.5 non call 5.5-year 144A offering and Westpac printed a US\$1.5bn 2.894% 10 non-call five global, priced at Treasuries plus 133bp and 135bp, respectively.

Because both the prior Tier 2 note offerings have callable rather than bullet structures NAB had no obvious comparable to price off, which helped the leads drive down pricing, according to one banker on the trade.

Last week's sales take ANZ and NAB nearer to their estimated individual net Tier 2 issuance requirements by 2024 of A\$12bn and A\$12.1bn, which would lift their ratios of capital to risk-weighted assets by three percentage points to the new 17% minimum target.

Commonwealth Bank of Australia and Westpac have similar estimated net targets of A\$13bn apiece. ■

Hysan Development invests in commercial and residential properties in Hong Kong and is one of the largest commercial landlords in the Causeway Bay shopping district. The company is 41%-owned by Lee Hysan Company, which is controlled by descendants of founder Lee Hysan.

It reported a 5% drop in underlying profit in the first

half of 2020 as Covid-19 weighed on the retail sector, but increased cash reserves to HK\$21.1bn (US\$2.72bn) from HK\$9.3bn six months earlier.

The new perpetuals were trading at a cash price of 101.4 in secondary last Wednesday afternoon.

Coupon payments can be deferred at the issuer's sole

discretion, but are cumulative. There is also a dividend stopper and a pusher with a three-month look-back period.

Asia took 94% of the deal and the rest went to EMEA. Asset managers and fund managers bought 50%, insurers and pension funds 16%, private banks 32% and others 2%.

Wholly owned subsidiary Elect Global Investments is the issuer and Hysan Development is the guarantor.

Proceeds will be used for the general corporate purposes of the guarantor and its subsidiaries.

HSBC, JP Morgan, Mizuho Securities and UBS were joint global coordinators, joint bookrunners and joint lead managers. ■

Reach the people who matter

IFR provides an unrivalled opportunity for advertisers to reach the most senior professionals in the world's capital markets

For more information on the various advertising and sponsorship opportunities available within IFR, email: cmi.advertising:@tr.com



Redemption clause plea to fall on deaf ears

■ **Bonds** Bonds from ICE and Roper resurface debate about mandatory redemption covenants

BY WILLIAM HOFFMAN

A simmering debate over mandatory redemption covenants on bonds that pre-fund mergers and acquisition deals returned to a boil last week as investors and issuers jockeyed over the structure of two such bonds.

Bookrunners leading two M&A bond deals offered by financial marketplace **INTERCONTINENTAL EXCHANGE** and software company **ROPER TECHNOLOGIES** were peppered with questions from investors newly concerned about the covenant language and seeking a change to the standard language.

"There was a lot more discussion around the ICE deal and the SMR clause: how does this impact me? What is the fine print here? Whereas in the past they would pass over it," said

David Knutson, head of credit research Americas at Schroders.

Both deals included a special mandatory redemption clause that would require the issuer to buy back the bonds at a cash price of 101 should the mergers not be finalised by a specific date.

Such clauses became a standard protection for investors once companies began pre-funding acquisitions ahead of final regulatory approval several years ago.

Now investor advocates such as the Credit Roundtable are seeking to change the standard from a premium based on dollar price to a percentage of original spread after the buy-side lost money on a **WASTE MANAGEMENT** SMR this summer.

"Losing a lot of money over Waste Management has awoken some investors to the potential

risk of a cash price SMR security," Knutson said.

Market participants said investors experienced a worst-case scenario in July when Waste Management's mandatory redemption clause was triggered on the US\$4bn five-part bond transaction issued in May 2019 pre-funding its US\$4.9bn acquisition of Advanced Disposal.

Prior to the SMR trigger, Waste Management's five, seven, 10, 20 and 30-year bonds were trading at cash prices as high as US\$120 – well above the US\$101 redemption price.

"The Waste Management exercise is a rare example, if not a ... really extreme example of this happening," one syndicate banker said.

"They made 1% over the life that they held the bond, which is probably not very long, but

overnight on a market-to-market basis they lost 10%–20%, and that's pretty unpalatable."

The SMR trigger was made all the more harsh because Waste Management still intends to close the merger later this year, and despite investor attempts to renegotiate the terms, the company ultimately did not cave.

Investors found themselves on the wrong side of the move in rates because Waste Management has a strong financial incentive to retire what now looks like comparatively high-coupon debt and investors will have to redeploy that capital in a low-yield environment.

For example, the 10-year Treasury has rallied to around 0.68% in August in from 2.42% when Waste Management originally priced the deal.

"I do understand the perspective of investors that they

Libor transition focus moves to non-bank lenders

■ **Loans** Asset managers face scrutiny from regulator pushing move away from Libor

BY KRISTEN HAUNSS

Non-bank lenders and other asset managers in the US are increasingly concerned about the US regulator's warning that it will be scrutinising plans and disclosures about the upcoming transition away from Libor, as borrowers in the US loan market have been slow to move to an alternative benchmark.

The Office of Compliance Inspections and Examinations (OCIE) of the Securities and Exchange Commission will be conducting examinations of investment advisers, companies and broker-dealers to assess their preparations for the discontinuation of Libor and their readiness to transition to an alternative benchmark.

Libor is set to be phased out at the end of 2021 and the Federal Reserve-backed Alternative Reference Rates Committee (ARRC) is pushing markets to transition to the Secured Overnight Financing Rate.

As borrowers in the US\$1.2trn US leveraged loan market still peg their payments to Libor, some asset managers are grappling with how best to show they are preparing for the transition when the companies they lend to are still using the existing benchmark.

"Governmental bodies are aware there is a big block in the loan market – all these non-bank lenders – who need a push, and a push they are going to get from the SEC," said David Wagner, a senior adviser at Houlihan Lokey.

The US loan market has been slow to adopt SOFR, a broad measure of the cost of borrowing cash overnight that is collateralised by US Treasury securities.

For some firms, recent efforts to prepare have been slowed by the coronavirus pandemic, which forced managers to direct resources to address the impact of the health crisis on portfolios. An announcement by ARRC recommending that no business loans maturing after 2021 should be originated using Libor after June 30 2021, also weighed on firms that saw their window to adjust shorten.

ORDERLY DISCONTINUATION

In late June, the OCIE said it would conduct examinations to assess investors' and advisers' plans "to

help promote and facilitate an orderly discontinuation of Libor and transition to an alternative reference rate".

With its Libor review, the OCIE will assess registered entities' plans for exposure to Libor-linked contracts, including so-called fall-back language, to help with the transition of existing contracts to a new rate.

It will also check a firm's operational readiness, including modifications to systems, controls, processes and risk models associated with the move to a new benchmark. Disclosure and representations made to investors about possible Libor cessation risks will also be reviewed as will efforts to replace the benchmark with an appropriate alternative.

feel hard done by, but at the same time their desire or expectation for a company to improve the terms is unfortunately very unlikely because the company will operate in the best interest of its shareholders from a fiduciary perspective," the banker said.

CONCERNS OVERLOOKED

Investors face an uphill battle to change the language as bonds that include the SMR clause in its current form ultimately continue to see strong performance amid relentless demand for paper.

ICE on Monday priced a US\$6.5bn five-part deal to fund its US\$11bn acquisition of mortgage finance industry platform **ELLIE MAE**.

The deal garnered an US\$18.5bn order book, gave up just 2bp of new-issue concessions on the long tranches and even landed inside ICE's outstanding curve on the short end.

"ICE may have paid a little bit more but you're not going to see issuers or treasurers change to a different framework until it costs a lot more," said Brian

Cogliandro, head of US bond syndicate for Mitsubishi UFJ Financial Group.

The Credit Roundtable is pushing for the industry to adopt a system in which bondholders receive the greater of a 101 price redemption or a spread-based SMR based on the relevant Treasury rate plus 90% of new issue offer spread, according to a white paper released by the organisation.

However, strong market technicals that favour issuers make change unlikely.

"I don't think we will be moving towards any resolution or a new standard that the Credit Roundtable would like to have; I just don't think we're there yet," Cogliandro said.

Knutson, who is a co-leader of the Credit Roundtable, said the number of investors willing to turn a blind eye when there were not enough bonds or yield to satisfy demand was shocking.

"People are wilfully blind because there is such a desperate search for return in the market that underwriting standards get loose," he said. ■

"You see Libor as an examination priority because of the potential impact it could have – if asset managers have not properly evaluated risk, not properly explained that risk to investors or have unexpected consequences as a result of failing to adequately position for a move away from Libor," said John Mahon, a partner at law firm Schulte Roth & Zabel.

The ARRC recommends that by September 30, all new loan agreements should include predetermined steps to move to a new rate from Libor, known as a hardwired approach. Most loan documents, however, favour amendment fall-back language, which offers more flexibility, but also more uncertainty because the final rate is unknown at origination.

In an analysis of 288 new and amended institutional loans, including repricings, arranged in the first half of 2020, credit research firm Covenant Review found that none included ARRC hardwired language.

While the loan market has been slow to adopt a new benchmark, the OCIE is not alone in its efforts to gauge the risk and preparedness of financial institutions for the end of Libor.

The Federal Financial Institutions Examination Council, which includes a member of the Fed, the Comptroller of the Currency and the Chairman of the Federal Deposit Insurance Corp, in July encouraged supervised institutions to continue to prepare for the transition and address associated risks, including inadequate fall-back language.

"[Asset managers] are all becoming aware – because law firms and investment banks are talking – that this is an obligation of senior management to be addressing for regulators and shareholders and clients for whom you manage funds," Houlihan Lokey's Wagner said.

"They need to have a consistent message and one that is going to be public. The SEC action is starting to have its intended purpose." ■

Sabre double-dips with fresh capital raise

■ **Equities** Deal points to second wave of Covid-19 recaps

BY ANTHONY HUGHES

SABRE CORP has become the second battered travel company in a month to return for a fresh dose of Covid-19 funding via equity capital markets.

Despite raising US\$345m from a convertible bond offering in April, the Texas-based travel bookings software provider doubled down last week with a US\$550m dual-tranche equity/equity-linked sale to boost its liquidity. It subsequently raised another US\$850m on Thursday from an upsized high-yield bond, though these funds are being used to replace more expensive debt.

The financings leave Sabre with US\$1.7bn of cash to help it survive after both travel bookings and revenue collapsed more than 90% in the second quarter, translating into a US\$444m net loss.

Sabre, which carries US\$4.6bn of total debt, has the added pressure of having to refund many travellers who have cancelled their plans due to the pandemic.

Bankers warn that companies in sectors hardest hit by Covid-19 that raised capital in the second quarter, including retailers and restaurant chains, may need to raise more capital in a possible second wave of recaps.

"I can definitely say that as Covid-19 continues to delay the return to a normal business environment, I would not be surprised if other businesses all of a sudden find themselves in a similar sort of situation [to Sabre]," one banker close to the deal said.

Sabre's return comes a little more than a month after NYSE-listed Norwegian Cruise Line tapped US ECM for a second time since it was forced to suspend all its voyages in March.

Norwegian sold new shares and a CB as part of a US\$2bn-plus recap in May before returning in July to raise another US\$1.4bn, including a US\$250m sale of common stock and a US\$400m CB.

DILUTION

After a day of marketing, on Wednesday Sabre sold 35.7m shares or 13% of outstanding at US\$7.00, an 11.3% file-to-offer discount and well down from Sabre's US\$20-plus share price prior to the Covid-19 outbreak.

In an effort to reduce some of the dilution associated with a deeply discounted stock sale, Sabre also raised an upsized US\$300m from a three-year mandatory convertible which priced at 6.5% and with a 20% conversion premium, the midpoint of talk.

Morgan Stanley, Bank of America, Goldman Sachs, Mizuho, Wells Fargo, Deutsche Bank and Citigroup led the offering. Bank of America, Goldman Sachs and Morgan Stanley led the April CB, a US\$300m exchangeable priced with a 4% coupon and 32.5% conversion premium. At that time, Sabre also raised US\$775m from the sale of 9.25% 2025 bonds.

As with the spate of recaps in the second quarter from airlines, cruise lines, retailers and restaurant chains, much of the demand for the offerings came from hedge funds rather than long-only funds, while the MCB was more attractive to investors than Sabre's battered common stock (thus the upsize of the MCB).

Investors that bought shares in Covid-19 offerings from companies such as Carnival, Southwest Airlines and Penn National Gaming have been rewarded with large rebound gains, though Sabre shares traded below the offering price in Thursday's aftermarket, falling 2.5% to US\$6.85.

In a further setback, S&P downgraded the company's corporate rating from B+ to B on Thursday on concerns lower bookings will make it harder to reduce its high leverage.

Most of Sabre's pre-pandemic travel network revenue came from corporate and international travel, which had been hit hardest by the pandemic, S&P said. ■

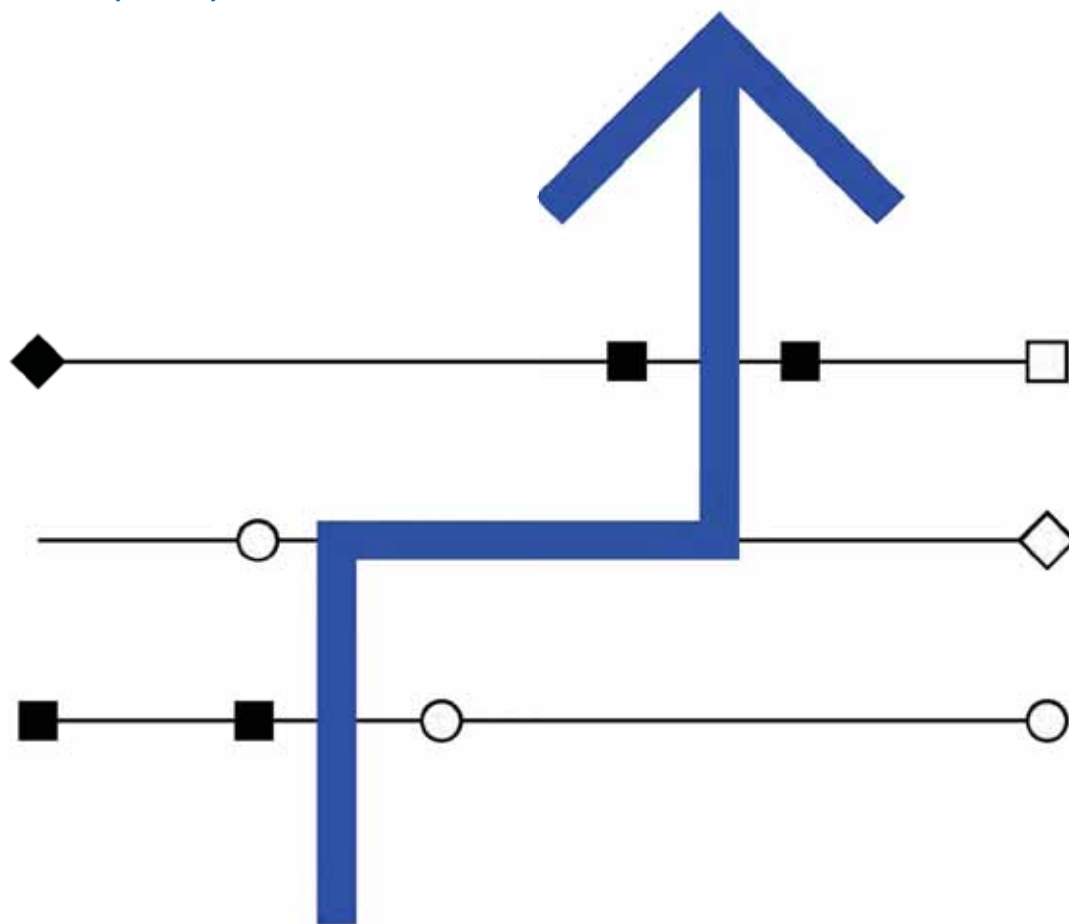
Building a better experience.

PFI is the leading source of global project finance intelligence, and PFI's online service – www.pfie.com – offers that news, data and analysis along with intra-day updates and a suite of tools that make researching faster and easier.

PFI.com has just be redesigned, The site's comprehensive and authoritative coverage of the project finance sector now features a clean new look and a slate of enhancements, including customisable alerts, faster data updates, a personalised "My PFI" function, powerful new search functionality and more intuitive navigation.



<https://pfie.com/extra/pfi-help>



People & Markets



12 JP Morgan hires former UK finance minister Sajid Javid as an adviser, 11 years after he swapped banking for politics



15 US-based Silicon Valley Bank is hiring 80 bankers in Britain and says private equity firms are looking for tech targets



17 IFR profiles William Blair's Brian Scullion, who trained as an ER doctor and is using that expertise as a healthcare banker

■ FRONT STORY INVESTING

Buffett cuts bank bets – but sticks with BofA

Renowned investor slashes Wells Fargo, JP Morgan, Goldman stakes

Warren Buffett's investment in financial stocks dropped by almost 40% in the first-half of this year as he slashed holdings in **JP MORGAN** and **WELLS FARGO**, exited **GOLDMAN SACHS**, and saw the value of most of his bets slump.

But since the end of June, Buffett has added to his stake in **BANK OF AMERICA**. Buffett's investment vehicle owned 1.03bn shares in BofA as of August 4, according to a regulatory filing, making it his biggest financial holding.

It also makes Buffett the biggest investor in BofA with a 12% stake worth more than US\$26bn. His **BERKSHIRE HATHAWAY** investment vehicle owned 925m BofA shares at the end of June worth US\$22bn, and the same amount at the end of December, when they were worth US\$10.5bn more.

Buffett is one of the world's most successful investors and is widely followed for tips on where to find value. He is one of the biggest investors in US financial firms, even after slashing his holdings in most of them since the start of this year, according to recent regulatory filings.

Berkshire held JP Morgan stock worth US\$2.1bn at the end of June, down from US\$8.3bn at the end of December. It cut its holding to 22.2m shares from 59.5m, and also suffered as JP Morgan shares have fallen 29% this year.

The Dow Jones US bank index is down 34% this year due to fears that the coronavirus and lockdown will lead to recession and massive losses from bad loans.

Berkshire has been a long-term holder of Wells Fargo shares, but slashed its stake to 237.6m shares at the end of June, from 323.2m at the end of 2019. The value of the

holding fell to US\$6.1bn, from US\$17.4bn, as Berkshire cut its stake to 5.8% from 7.8% and Wells shares have tumbled 55% this year.

OUT OF GOLDMAN

Buffett's firm owned a stake in Goldman worth US\$2.8bn at the end of 2019, but had sold all its 12m shares by the end of June, filings showed.

Berkshire held stock in 12 publicly listed US financial firms at the end of June, worth US\$63.7bn, according to IFR calculations. At the end of December, it had holdings in 14 financial firms, worth US\$103.9bn at the time.

Some 29.1% of Berkshire's holdings of listed companies are currently in financial firms, according to Eikon data. That was second only to the technology sector, where 46% of Berkshire's investment was targeted – largely due to its ownership of 245m

shares in Apple, worth about US\$114bn.

Still, six of Berkshire's top 10 public holdings are in financial stocks, and nine of its top 20 are financials.

Buffett, dubbed the Sage of Omaha, has an army of followers thanks to his strong track record of picking good investments based on the concept of value investing.

He typically makes big bets on specific firms or industries, and usually stays in for a long period. He was once quoted as saying: "We simply attempt to be fearful when others are greedy and to be greedy only when others are fearful."

REGIONAL BANKS

Berkshire also reduced holdings in some regional US banks, including **PNC** (it owned 5.4m shares worth US\$562m at end-June vs 8.7m worth US\$1.4bn at end-December) and **M&T BANK** (4.5m shares worth US\$472m at end-June vs 5.4m worth US\$914m).

Berkshire also owned 132m shares in **US BANCORP** at the end of June, the same amount as at the end of last year, although their value dropped to US\$4.9bn from US\$7.6bn.

It still held an 18.8% stake in **AMERICAN EXPRESS** at the end of June, worth US\$14.4bn, and big holdings in **BNY MELLON**, **MASTERCARD**, **VISA** and **SYNCHRONY FINANCIAL**.

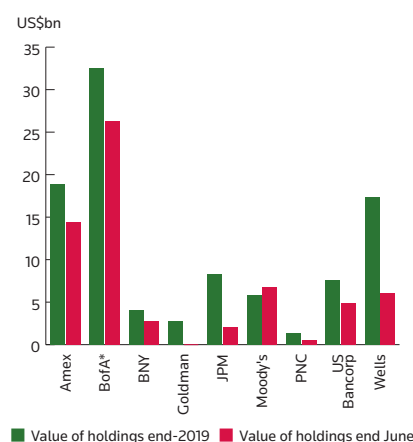
Its most successful financial holding this year has been its 13.1% stake in ratings agency **MOODY'S CORP**, which was worth US\$6.8bn at the end of June, up from US\$5.9bn at the end of December.

Berkshire has also sold down holdings in airlines this year, but ramped up its stake in Canadian miner Barrick Gold, filings showed.

Steve Slater

Additional reporting by Philip Scipio

VALUE OF BUFFETT BANK HOLDINGS DROPS – AS HE CUTS STAKES AND SHARE PRICES FALL; SELECTED STOCKS



*BofA holding as of August 19, after he increased stake in July and August
Source: Berkshire Hathaway filings, IFR calculations

“There are real problems in the credit markets ... it is hard to find a price that you can be comfortable with and it is about the lack of trust”

LEDGEREDGE CEO DAVID NICOL, P16

Buyside body: change US bond sale process

THE CREDIT ROUNDTABLE, a buyside industry group, is pushing for improvements and a standard play book for how deals are sold in a US high-grade primary market that has seen record volumes this year.

In a document released last week, the group – which counts large buyside firms such as Franklin Templeton, Vanguard and T Rowe Price as members – called for the establishment of “best practices” to fix glitches in the new issue process that cannot be solved by technology alone.

As volumes in the US bond market grow in leaps and bounds, investors are asking for more time to assess deals so they can make informed investment decisions.

The Credit Roundtable listed a number of recommendations designed to increase transparency and guarantee consistency in how information is disseminated over the course of a deal’s pricing from announcement to post pricing.

The suggestions included making prospectuses and offering memorandums available when the deal is announced as well as other terms, including initial price thoughts, CUSIPs, mandatory redemption terms, a full list of underwriters, maturity and settlement date.

STANDARD PRACTICE

Jonny Fine, head of investment-grade syndicate and FIG DCM at Goldman Sachs, said much of what The Credit Roundtable wants is largely achieved under normal circumstances.

“In 95% of the deals, we do all of this,” he said.

And DirectBooks, a web-based platform to optimise communication during the bookbuilding process, may help to address some of the Credit Roundtable’s concerns when it is launched in the fourth quarter.

“I completely understand why they want as much as this information upfront as they

possibly can,” said Fine. “DirectBooks will be a very helpful solution as are other technologies to create structured data dissemination. That will enable a lot more of this information to be readily available and easily accessible for the investor base.”

Yet while bankers say The Credit Roundtable checklist is largely already standard practice – with the odd exception – investors say there remain inconsistencies in how underwriters work with the buyside and in the dissemination of information such as book sizes and IPTs.

“Often it works just fine, but there are times when it doesn’t,” said David Knutson, head of credit research for the Americas at Schroders, which is also a member of The Credit Roundtable.

“You don’t have a speeding limit for everyone. You only have a speeding limit for the people who want to drive too fast. So let’s establish a speeding limit here.”

Former UK chancellor Javid rejoins JP Morgan as adviser

Former UK finance minister *Sajid Javid* has rejoined **JP MORGAN** as a senior adviser, 11 years after leaving banking and six months after suddenly resigning from the government cabinet.

Former and current politicians and central bankers are often hired by major banks to provide views on geopolitics, economics, trade and regulation to management and clients. JP Morgan did not say how much Javid will be paid.

Javid was a senior investment banker before moving into politics, but after a decade-long rise up the ranks of government he resigned as UK Chancellor of the Exchequer in February after refusing to sack his advisers.

“We are delighted to welcome Sajid back to JP Morgan as a senior adviser, and we look forward to drawing upon his in-depth understanding of the business and economic environment to help shape our client strategy across Europe,” a spokesman for JP Morgan said.

Javid started his finance career at Chase Manhattan Bank in New York and worked for the US bank throughout the 1990s in its currencies and emerging markets business. He moved to Deutsche Bank in London to help run its emerging markets business, but left in summer 2009 to try his hand at politics.

He was elected to parliament in 2010 and moved up to hold several cabinet roles,

including secretary of state for business, innovation and skills; and home secretary; and was appointed chancellor in July 2019.

He is still the member of parliament for Bromsgrove, near Birmingham.

ADVISORY COUNCIL

JP Morgan has a number of senior business and political leaders as advisers.

Javid will join its advisory council for Europe, the Middle East and Africa, which consists of senior business and political leaders who meet periodically to discuss issues and review business opportunities.

Javid’s work for JP Morgan is expected to be ring-fenced from his role in politics, and

Who’s moving where...



BARCLAYS has hired *Philipp Gillmann* from Rothschild as head of logistics banking for EMEA in its investment bank. Gillmann will join as a managing director on September 1 and be based in Frankfurt. He has spent 13 years at Rothschild, most recently in its advisory

M&A group, leading global coverage of the logistics sector and the business services sector in Germany, Austria and Switzerland. He previously worked for consultancy firm Ebner Stolz as a corporate finance project manager.



Alexey Bulgakov has rejoined Russia and emerging markets investment bank **RENAISSANCE CAPITAL** from Sberbank as head of fixed-income research, based in Moscow. He will report to Daniel Salter, head of equity strategy and head of research for Eurasia.

Bulgakov has spent the last 12 years at Sberbank CIB, most recently as head of fixed-income research. He previously worked at RenCap for a year in fixed-income research in 2007–08, and before that spent three years at both Aton Capital and Commerzbank.

One of the major sticking points has been ratings on bonds, especially those vulnerable to downgrades in the wake of acquisitions.

The Credit Roundtable is asking for rating agencies to provide ratings within 15 minutes of the deal announcement.

"The rating agencies generally try to work with syndicate well, but there is no rule," Knutson said.

"There have been deals that have launched and the ratings have changed while the deal is in the market. There have been deals launched, priced, then allocated and then their ratings change."

Yet some of what The Credit Roundtable wants may require regulatory changes to make standards enforceable.

One example could be an issuer that may want to announce a deal early in a busy market, rather than wait for the filing to appear on the SEC website, Fine said.

Under current rules the borrower is under no obligation to do so at the time of announcement as long it has an active shelf with the SEC.

Paul Kilby

has been approved by the UK's Advisory Committee on Business Appointments, which oversees jobs for former ministers and top civil servants.

JP Morgan has appointed *Vittorio Grilli* to take over as chair of the EMEA Advisory Council after the recent retirement of Walter Gubert, according to a memo sent to staff and seen by IFR.

Grilli joined JP Morgan in 2014 following a career as an economist and academic, and was Italian minister of economy and finances from July 2012 to April 2013.

Former UK prime minister Tony Blair took a role at JP Morgan after leaving office, and other banks have also hired advisers from high places.

Steve Slater

US banks may still need to beef up reserves, S&P says

Despite setting aside huge reserves for credit losses in the first half of this year, US banks may still need to double or triple provisions to absorb losses that may lay ahead due to the coronavirus pandemic, S&P has warned.

While the pace of provisioning may slow in the second half, US banks in aggregate are far from done with provisioning for pandemic-related losses.

"Our base case projection is that the pandemic will trigger 3% loan losses, forcing banks to provision more than US\$330bn cumulatively," S&P warned.

With the economic downturn caused by the coronavirus pandemic, US banks have had to prepare for the likelihood of elevated borrower defaults and set aside US\$115bn of provisions in the first half of 2020, S&P said.

Twelve of the biggest US banks booked expected credit losses of US\$44.6bn in the second quarter, up from US\$34.7bn in Q1. That left their provisions in the first half at US\$79.3bn, more than five times the US\$15.6bn they booked in the first half of 2019, according to IFR calculations.

It was a similar trend globally. Expected credit losses across 27 major US and European banks in the second quarter were US\$71.2bn, compared with US\$15.6bn in Q2 2019.

Still, the reserves across the sector at the end of the second quarter may indicate that US banks are more sanguine in their loss expectations than S&P.

Larger banks have generally been more aggressive about building reserve allowances and have stronger pre-provision net revenue than regional and smaller banks. They are less likely to have bottom-line losses should loan losses approach the base-case estimate for the industry, S&P said. In fact, the reserve build out at larger banks

may mask dramatic levels of underfunding at smaller banks.

Larger banks were able to absorb major provisions in the first half of the year and remain more profitable than smaller banks largely thanks to strong revenue generation in segments of their capital markets businesses, S&P said.

THIN EARNINGS

S&P set its base-case forecast for pandemic-related loan losses for Federal Deposit Insurance Corp insured banks at about half of the 6.3% loss rate the Federal Reserve projects for the 33 banks as part of the 2020 Dodd-Frank Act Stress Test.

While the pace of provisioning may slow, US banks are far from done with provisioning for pandemic-related losses

In the first half of 2020, the ratio of allowances to loans for rated US banks rose to a median 1.7% and an aggregate 2.7% –short of S&P's base case loss projection of 3%.

"That implies that banks may be expecting lower losses," S&P said.

The good news is that most rated banks could generate enough pre-provision net revenue to remain profitable over the next four quarters assuming they report enough additional provisions to cover 50% of the loan losses in DFAST and net revenue remains steady over the next four quarters.

Although most banks would remain profitable under S&P's adverse scenario, many would have very thin earnings. That would probably force the Fed to limit dividends.

Philip Scipio

Please contact us if you have information about job moves: peoplemarkets@refinitiv.com



DEUTSCHE BANK has named veteran banker *Huynh Buu Quang* as its new Vietnam chief country officer. Quang was most recently chief executive of Hanoi-based Maritime Bank and has held senior roles in trade finance and credit risk management. He replaces *Hans-Dieter*

Holtzmann, who relocated to Frankfurt to take up a new position in Deutsche's corporate bank. Quang will be based in Ho Chi Minh City.



AUSTRALIA AND NEW ZEALAND BANKING GROUP has appointed *Tammy Medard* as managing director for institutional banking in Australia. Medard is due to start her new role on October 1 and will be based in Melbourne. She is a replacement for *Graham Turley*, who is

retiring from the bank. Medard joined ANZ 12 years ago in risk before being appointed Laos CEO. She currently serves as head of diversified industries for institutional banking. Turley joined ANZ 15 years ago having previously worked at Westpac New Zealand and Deutsche Bank.



Bellwether

Bellwether: *n.* From the practice of placing a bell around the neck of a castrated ram so that it might lead its flock

CARLYLE HAS TOLD its staff to avoid public transport when they return to work in September.

The private equity firm's London HQ in St James's is a stone's throw from Piccadilly Circus tube station, but woe betide staff who use that option. They must either walk or cycle to reduce the risk of a second wave of Covid-19. Staff who use public transport will be asked to self-isolate for 14 days.

It remains to be seen how much take-up there will be. Mind you, staff who have spent the last six months at home with young children will probably walk over hot coals just for some peace and quiet, so don't rule out a stampede back to work.

Banks will be watching with interest. In fact, one M&A banker of a certain age told Bellwether he hopes his bank imposes an indefinite ban on the use of public transport so he can return to the glory days of being ferried around to meetings in a Jaguar – complete with be-gloved chauffeur.

Despite the policy, Carlyle's home page (should that be "stay-at home" page?) still extols the virtues of its global network. "With 31 offices across six continents and more than 1,800 professionals worldwide, we leverage our global network to deliver our best thinking and drive positive change" – but only if you live within walking distance.

It's an understandable move, but it will be interesting to see the impact the firm's no-public-transport policy will have on its ability to invest its US\$2.2bn global infrastructure opportunity fund, which primarily targets "transport and logistics".

JP MORGAN HAS maintained its appetite for hiring senior bankers with political ties, despite William Vereker's stint coming to an abrupt end when the former UK trade envoy left the bank after less than six months to become chairman of Santander UK.

Now former UK government minister Sajid Javid has swept through JP Morgan's revolving door as a "senior adviser" six months after suddenly resigning as Chancellor of the Exchequer.

It's something of a return for Javid, who worked as a trader at Chase and then Deutsche Bank before moving into politics.

It will be interesting to see how he gets along with Jamie Dimon. While Dimon referred to Brexit as a "disaster", Javid backed a hard Brexit as Chancellor. Presumably some "advice" will be taken with a pinch of salt.

One M&A banker hopes his bank bans public transport so he can return to the glory days of being ferried around in a Jaguar

NATWEST MARKETS OFFERS a Comeback Programme, a 12-week paid "returnship" effort aimed at people who were previously in senior manager roles within financial services and have been out of the workplace for at least two years.

Bellwether wonders whether this offer might apply to Scott Satriano and Kieran Higgins, formerly head of financial and risk solutions and head of trading and flow sales, respectively, until their departures were announced by NatWest this month.

Presumably so, provided they don't make a "comeback" elsewhere in the next two years. ■

Who's moving where...

■ **CITIGROUP** has hired former HSBC executive *Claudio Matos* to head its debt capital markets unit in Brazil. Matos had been with HSBC for the eight years. He will replace Eduardo Freitas, who left Citi earlier this year.

■ **TMX GROUP**, the operator of the Toronto Stock Exchange, said interim chief executive *John McKenzie* would lead the company on a permanent basis. McKenzie, who has been TMX's chief financial officer since 2016, became interim CEO in January after Lou Eccleston retired early.

■ *Kristy Datson* has been named as **MUFG BANK's** new head of resources, utilities, infrastructure and transport for Oceania. Datson joined MUFG in July 2018 and held a senior coverage role for Melbourne and Adelaide-based clients across those sectors with

a strong focus on project finance, loan syndications and DCM products. She is based in Melbourne. Datson previously spent close to two decades at ANZ, most recently in its project and export finance team.

■ *Konstantin Vyshkovsky*, the head of the Russian Finance Ministry's debt department, has left his post after more than a decade to join **VEB**, the country's state development bank. Vyshkovsky oversaw Russia's efforts to raise debt, a role especially

important this year to mitigate the effect of low oil prices and the coronavirus pandemic on state finances. VEB said Vyshkovsky had started as a senior banker overseeing its DCM activities. The 46-year old worked for VEB from 1994 to 2005 prior to joining the ministry.

Silicon Valley Bank hiring 80 in UK

US-based **SILICON VALLEY BANK** is midway through hiring about 80 bankers in Britain, as it bucks the trend of peers that are shrinking during the coronavirus crisis.

The Santa Clara, California-headquartered lender is converting its London-based branch into a full subsidiary, as it bets on finding technology investment opportunities for private equity firms with piles of cash sitting on the sidelines.

"We are starting to see pockets of activity already, the influx of US capital into UK tech

had slowed since March but the phones are now ringing again and investors see it as a time to potentially start being opportunistic," said Erin Platts, president of the UK branch of Silicon Valley Bank.

The bank has hired 30 staff in the first half of the year and is on track to increase its headcount in Britain from 250 at the start of 2020 to 330 by year-end, Platts said.

It will also hire a chairman and three directors to oversee the business.

UK high street banking rivals are

meanwhile laying off staff, as they attempt to cut costs as Britain heads into its worst economic recession in recent memory. Silicon Valley Bank, which specialises in the tech sector and connecting venture funds with start-ups needing cash, aims to capitalise on the backlog of investment that has built up since the coronavirus pandemic triggered lockdowns across Europe in March.

"Historic levels of fundraising by private equity means there is a lot of capital on the sidelines, much of it time-bound, and they need to invest," Platts said.

Lawrence White

Citi adds to female country heads

CITIGROUP has appointed *Ireti Samuel-Ogbu* as country officer for Nigeria to add to a growing number of women who run country operations for the US bank.

About one-third of the 55 country heads Citi now has in the Europe, Middle East and Africa region are women. They include Cecilia Ronan as CCO in Ireland, Maria Ivanova in Russia, Elzbieta Czetwertynska in Switzerland, Gilda Neiman in Belgium and Carmen Haddad in Saudi Arabia.

In 2018 Citi said it planned to increase representation of women and US minorities in senior and higher paying roles across the bank.

"Our goal is to continue increasing the number of women in senior posts at Citi," said Jenny Grey, head of HR for EMEA. "The role of the CCO is one of our most important and influential positions, and I am happy to see we have arrived at a point where we have a strong enough bench of senior women to take advantage of these opportunities and become Citi leaders throughout our EMEA network," she said.

Samuel-Ogbu will take over on September 21 from Akin Dawodu who was appointed to regional head in November but has remained

in the role as a replacement was sought.

Samuel-Ogbu will report to Dawodu, who is cluster head for sub-Saharan Africa – giving him oversight of 32 countries on the continent. Dawodu had been Nigeria country head for four years.

Samuel-Ogbu has spent 32 years at Citi, including in the UK, Nigeria and South Africa. She was most recently head of payments and receivables for EMEA in the treasury and trade solutions business, and was a non-executive director of Citi Nigeria. She has previously worked in the public sector banking team and corporate finance.

Steve Slater

Activist Sherborne sticks to Barclays shake-up plan

Activist investor **SHERBORNE INVESTMENTS** said it plans to stick with its investment in **BARCLAYS** and attempt to force a change in strategy "for as long as it appears to be appropriate" despite a tough first half of the year for its bet.

Sherborne started investing in Barclays in March 2018 and has increased its stake this year to 5.9%.

But Barclays' shares fell about 36% in the six months to the end of June, cutting Sherborne's net asset value by the same amount to £351m (US\$459m). Barclays shares have slipped further since the end of June.

"The investment manager's present intention is to continue its dialogue with Barclays for as long as it appears to be

appropriate to do so," Sherborne said in a regulatory filing.

Sherborne is led by activist investor Edward Bramson, who wants the UK bank to slash the size of its investment bank to cut costs and improve returns. He failed in an attempt last year to get a seat on Barclays' board, and the bank has resisted his calls for change.

Steve Slater

Please contact us if you have information about job moves: peoplemarkets@refinitiv.com

■ **CITIGROUP's** South Korea CEO, *Jin-Hei Park*, is retiring from the bank on August 31. Park has been with Citigroup for more than 35 years after starting in treasury in 1984. He was Citi's corporate and investment banking head in South Korea from 2007 until he

was promoted to country head in 2014. *Myung-Soon Yoo* will take over as interim country officer for South Korea until a permanent successor is appointed.

■ A former Warburg Pincus managing director focusing on Asia real estate has left the firm to explore opportunities with **HILLHOUSE CAPITAL GROUP**, sources told Reuters. *Joe Gagnon*, who was once Warburg's head of Asia real estate, left the US private equity firm last month and is in

talks with Asia-focused private equity firm Hillhouse to develop its real-estate capabilities. Founded in 2005 by Chinese businessman Zhang Lei with seed funding from Yale University's endowment, Hillhouse is best known for its early investments in Chinese tech giants Tencent and Baidu.

■ *Lee Seung-heon* has been named as senior deputy governor at **SOUTH KOREA'S CENTRAL BANK**, the second-highest post at the central bank. Lee is a veteran central banker with almost three decades of experience at the Bank of Korea.

■ *Svetlana Kirsanova*, head of the retail business and deputy chairman at Russia's **SBERBANK**, plans to leave her post later this year, sources told Reuters. Kirsanova, 36, joined Sberbank in 2014 and took over as head of the retail business in 2018.

“The phones are now ringing again and investors see it as a time to potentially start being opportunistic”

ERIN PLATTS, PRESIDENT OF THE UK BRANCH OF SILICON VALLEY BANK, P15

LedgerEdge eyes DLT to build trust in credit trading

Blockchain technology can be used to overcome a trust deficit in corporate bond trading, one of the key reasons electronic trading has failed to take off in credit compared with other market sectors, according to LedgerEdge.

It is the latest venture to be set up by fixed-income veteran David Rutter, who sold LiquidityEdge – a US Treasury trading platform – to MarketAxess last year for US\$150m. Rutter also founded R3 – a bank-led consortium initially created to exploit blockchain, or distributed ledger technology (DLT). R3 went on to create Corda as a DLT platform.

LedgerEdge last week unveiled Tim Cook as head of business development from September to lead industry working groups to establish protocols, in what the company claims will be a collaborative effort to fix the illiquidity in credit markets.

“There are real problems in the credit markets. There are a lot of axes and orders that cross but don’t trade. In an illiquid market, it is hard to find a price that you can be comfortable with and it is about the lack of trust. No one is willing to share their data, or if they do, they know how it is going to be used and to whose benefit,” LedgerEdge’s chief executive David Nicol told IFR.

In effect: they know it could be used against them.

“The DLT component ensures that data won’t leak, which is a better level of certainty than a business or legal promise.”

IT’S GOOD TO TALK...

In recent years alternative liquidity providers have attempted to tackle the gap in the market for larger, or block, transactions, which are still conducted via voice rather than electronically on the big three established platforms – Tradeweb, MarketAxess and Bloomberg.

But none of them have managed to meet the three key conditions for successful block-trading electronically in corporate bonds: transparent price discovery, managing timing mismatches, and avoiding adverse leaks of information. That means a large part of the market sits idle.

“Nothing is off the table in what we are thinking. Why are 70% of corporate bonds voice-traded? Why do only 5% trade five times a day?” said Nicol.

“Price discovery, data security, and market impact. Even just expressing an interest can hurt the price at which a bond trades.”

LedgerEdge says DLT, in combination with artificial intelligence and secure enclave computing, can give participants control over their trading data and also allow them

to identify liquidity without giving away intended trading positions. Nicol says it is an ecosystem approach, encouraging all market participants to come together.

And that also means persuading people who are used to competing to find a way to collaborate.

A former senior executive at a trading platform said LedgerEdge was interesting because the sell-side was “being super cautious about who owns their data”.

“They may stream a price to you as an MTF, but you can’t use that or co-mingle it with other prices. They are terrified of creating another MarketAxess and to a lesser extent another TradeWeb,” he said.

Persuading market participants to build new technology is far from easy, but LedgerEdge’s use of Corda/R3 will cut their costs if they already have a licence. It can also be hard to get, for instance, an execution trader at an asset manager to break longstanding habits and also miss out on the gossip and market colour they enjoy by trading via voice.

“We’re a little overwhelmed with the level of interest in what we are doing. It’s down to the technology but also the market stress seen recently,” said Cook, who ran EMEA and APAC sales at LiquidityEdge. Alex Chambers

Foreigners unload US corporate bonds in June

While overseas demand for US corporate bonds fell for the first time in four months in June on a weaker dollar, analysts see foreign investors returning to a market that still offers higher yields, even on a hedged basis.

Foreigners turned into net sellers of corporate bonds, which include asset-backed securities, in June when they sold US\$16.6bn of such securities, US Treasury data showed.

That compared with May, when they bought US\$13.6bn in corporate paper.

While overseas accounts pared their US corporate holdings in June, they bought US\$28.9bn in US Treasuries, US\$38bn in agency and mortgage-backed securities and US\$28.5bn in stocks.

In May, foreign investors sold US\$36.7bn in Treasuries but purchased US\$2.4bn in agency and mortgage-backed securities and US\$79.7bn in equities.

The drop in foreign purchases coincided with a downturn in the dollar, stoked by anxiety that the Covid-19 pandemic will remain a more severe drag on the US economy than traders and investors had previously thought.

It also comes on the back of heavy issuance this year in the investment-grade primary market, where volumes have already reached an annual record of US\$1.372trn in 2020, according to IFR data.

The Fed has slashed policy rates to near zero, and renewed expansion of its balance sheet in a bid to buffer the economy from the virus has also eroded the value of the greenback.

The US dollar index, which gauges the greenback against a basket of currencies, fell to 92.127 on Tuesday, the lowest level since May 2018, according to Refinitiv data.

It reached a three-year high in March at 102.992, prompted by safe-haven demand for the dollar when Europe and China were the hot spots for the Covid-19 infection.

But analysts and investors reckon the foreign pullback in US corporate bonds is limited as they offer higher yields than their counterparts in most other G10 economies.

With interest rates near record lows in most developed economies, a weaker dollar has lowered the hedging cost for European investors, according to Robert Robis, chief fixed income strategist at BCA Research.

For European investors, US high-grade bonds with three-month forward dollar hedges would have on average earned a yield of 1.13% at the end of July. This compared with a 0.64% yield on comparable European IG debt.

Richard Leong

PROFILE: BRIAN SCULLION

Doctor in the house? Yes, at William Blair

With a pandemic raging across the world, the hunt is on for a vaccine to curb it or cure it, making biopharma and diagnostics one of the hottest areas in investment banking. It also makes bankers who understand the sector uniquely valuable.

At boutique investment bank William Blair, Brian Scullion is one such specialist.

Scullion walked away from the emergency room more than 20 years ago because he feared what would come after an exciting residency as an ER doctor - a long career as a specialist, focused on one small corner of medicine.

"Being a young physician in the hospital late at night a lot of responsibility falls on you. You get to take part in some very dramatic episodes," Scullion said. It was the kind of work that has been dramatised by the likes of George Clooney on TV - bringing people back from cardiac arrest - but that wasn't necessarily what the next 30 years were going to be.

"I realised that the next 20 or 30 years would go from this very broad hospital experience doing all kinds of exciting and interesting work to focusing on one area. It left me wanting more," Scullion told IFR.

ER TO BANKING

From that realisation, the quest began for a new career. Talking with other doctors who made the transition into business, Scullion found a world where he could leverage his training.

He spent several years working in the health plan arena as a medical director for an insurance company. That led to a job in finance and landing at William Blair, right as the Chicago-based investment bank was expanding.

With a partnership structure and collegial atmosphere, Scullion found William Blair was the right fit from day one.

That was despite his entry into investment banking coming just as it was fragmenting into more specialised areas, just as he feared would happen if he had stayed in medicine.

In banking, however, it worked out well for Scullion. He said 20 years ago there were a few firms that had strength in healthcare; it wasn't a deep industry specialisation and most people were generalists.

"That world is gone and it's a world of specialists in investment banking up and down the spectrum of firms," Scullion said. "More business is aggregating in fewer firms who have more specialists. That shift created greater opportunity for people who had a real understanding of some of the particularities of healthcare valued by clients and investment banks."

The healthcare group at William Blair has around 75 bankers around the world. Scullion is based in Chicago, its biggest office. London is the second largest, and there is a sizeable office in Frankfurt.

HOT HEALTHCARE

Healthcare has been one of the few areas where many investment banks have expanded in recent years, and that trend has accelerated with the coronavirus crisis.

Arranging financing or other capital markets activities for some of the up-and-coming firms could be a game-changer in many areas.

"I get to work with a lot of companies that have been successful, that have perfected a new technology that's going to change diagnostics or therapeutics or delivery of healthcare," Scullion said. "I get to touch and see and feel that ... it satisfies my curiosity."

Scullion graduated from Stanford Medical School and after additional research training received an MBA from Northwestern. He was always interested in

science and medicine, and his career in investment banking keeps him at the forefront of a constantly evolving field across robotic surgery, visualisation, minimally invasive surgery, and diagnostics, in a way that being a specialist in medicine could not.

"No one can be an expert in all these spaces ... but having had the scientific and clinical training I have, I can come up to speed and understand these new situations more adeptly than maybe someone who doesn't have that background," he said.

That helps him size up the strengths of his clients to determine what's special about them and their value. And it gives him understanding of the markets, trends, obstacles and pain points of certain approaches.

Scullion focuses on diagnostics and instruments. It's been a bright spot for dealmaking recently, even as overall M&A activity has slowed.

William Blair recently closed a deal advising Seattle-based DNA sequencing startup Stratos Genomics on its sale to pharmaceuticals giant Roche. Stratos' technology is called Sequencing By Expansion, which converts DNA into more easily-read

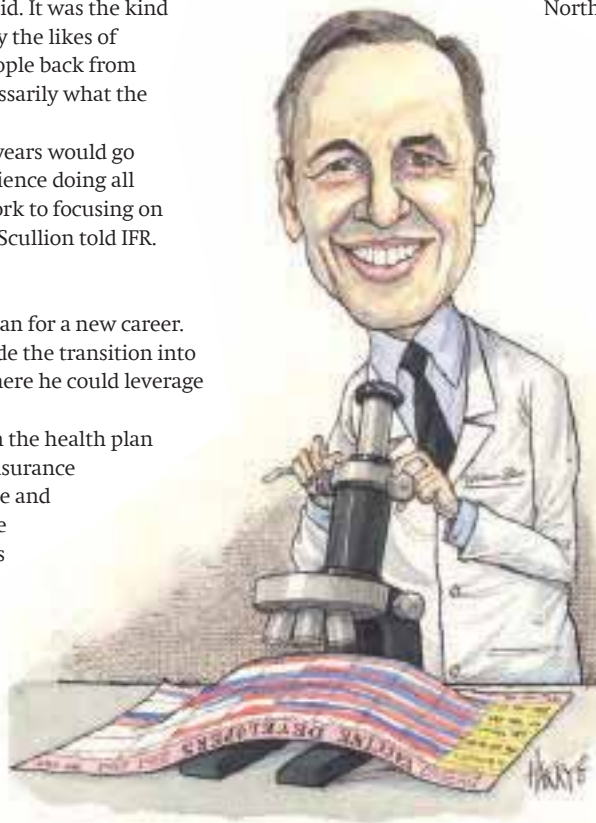
polymer, making it cheaper and faster to sequence DNA.

Offerings for other diagnostic companies have also been well received, Scullion said. It's a good financing market for those companies and investors have enhanced appreciation about how essential these technologies are to the healthcare system.

William Blair also recently did a US\$20m follow-on for California-based molecular diagnostics company Genmark. The company is hoping for clearance to use test kits designed to detect the Covid-19 virus.

It's the best time to be involved in the sector, Scullion said. Understanding of molecular biology is being used to improve diagnostics and therapeutics, which is being married with better technology, he said.

Philip Scipio



“It’s a world of specialists in investment banking up and down the spectrum of firms”

BRIAN SCULLION, HEALTHCARE INVESTMENT BANKER AT WILLIAM BLAIR, P17

Social bond issuance surges to record in Q2

Issuance of social and sustainability bonds reached record levels in the second quarter as the coronavirus crisis increased awareness of social issues related to healthcare and inequality, and US\$150bn of the debt could be issued this year, according to **MOODY’S**.

The ratings agency said US\$33bn of social bonds were issued in the April–June quarter and there were US\$19.1bn of sustainability bond issues.

“Combined social and sustainability bond volumes could now total US\$150bn for the year as coronavirus pandemic response efforts and heightened awareness of social

issues related to healthcare and inequality continue to support issuance,” said Moody’s analyst Matthew Kuchtyak.

Social bond volumes exploded in Q2 and were more than triple the previous quarterly high of US\$10.9bn, recorded in the first quarter this year.

European issuers and financial institutions led the surge, and French unemployment agency **UNEDIC** issued two record social bond offerings of €4bn each in the quarter.

Sustainability bond volumes also surged, and the US\$19.1bn in Q2 was up 64% from Q1 and eclipsed the previous record of

US\$17.1bn in Q2 2019, the report said.

Moody’s said global sustainable bond issuance, which also includes green bonds, totalled US\$99.9bn in Q2, a quarterly record and up 65% from the first quarter.

Green bond volumes rebounded to US\$47.8bn in Q2, up 26% from Q1, but well below the levels seen throughout 2019 when issuance averaged US\$65.5bn a quarter, the report said.

Moody’s said it expects green bond issuance this year to be US\$175bn–\$225bn, unchanged from its previous forecast in May.

Steve Slater

Investors urge broader diversity in ESG strategies

With diversity at the fore of social and political discourse, investors are calling for a broadening of diversity criteria within ESG strategies.

Companies that fail on diversity and inclusion could be faced with declining ESG performance and credit quality, according to ratings agency S&P.

“We foresee a widening competitive gap between companies that adopt effective strategies for workforce and diversity, and those that do not,” the agency said in a report.

The correlation between diversity and profit has been demonstrated by a considerable body of research, analysts say.

AXA IM research showed the most diverse firms not only have higher return on equity,

but their future profitability is also potentially superior to that of less diverse peers.

“Over the period analysed (January 2005 – July 2017), the profitability advantage for more diverse companies was 3.5%, on average,” AXA said.

Analysts have mainly been measuring diversity by assessing gender diversity in boards and executive management teams, focusing on the gender split, disclosure of composition, proactive target setting, talent development schemes and commitment to equal pay.

Helena Vines Fiestas, global head of stewardship and policy at BNP Paribas Asset Management, said that is partly because shareholders have the option to vote on

board appointments and have an impact, and because there is a high level of information on board composition.

Investment managers say there is now a need for diversity to be assessed throughout a company and on a broader scale, taking into consideration aspects such as racial and ethnic diversity, socio-economic backgrounds, nationality and skills, as well as experience.

“Diversity is not captured with one metric only. The ‘pale, male and stale’ board room already points to three criteria of diversity, and one can add many different other relevant criteria,” said Michiel van Esch, an engagement specialist at Robeco.

Malicka Danna Sietlinou

Westpac scraps dividend

WESTPAC BANKING CORP became the first major Australian bank to scrap its dividend following the Covid-19 pandemic, underscoring the pressure lenders face despite the country’s top regulator giving them the green light to resume payouts last month.

Australia’s second-largest lender by assets said last week it was cancelling its interim dividend as it continues to grapple with record-low interest rates, loan holidays for struggling borrowers and the country’s first recession in nearly three decades.

“This was a difficult decision, but given the uncertainty, we felt it’s prudent to review dividends at the full-year. We’ve effectively prioritised balance sheet strength, given the uncertain outlook,” CEO

Peter King said during an analyst briefing on the bank’s third-quarter results.

Dividend payments are closely watched in Australia, where around two million people, or 8% of the population, manage their own retirement income and banks are among the biggest dividend payers.

Some analysts said Westpac could be forced to cancel its full-year dividend and potentially raise fresh capital.

“The previously ‘deferred’ 2020 interim dividend has been now zeroed and given the weak pro-forma CET1 [common equity Tier 1], we still think Westpac could raise capital if and when the Austrac situation is finalised,” Jefferies analyst Brian Johnson said in a note to clients, referring to the investigation by Australian financial crime

regulator, Austrac, into Westpac over money laundering allegations.

Westpac’s decision puts it at odds with the rest of the big four after Australia and New Zealand Banking Group, National Australia Bank and Commonwealth Bank of Australia recently announced dividend payments, albeit down from a year ago.

A few weeks ago, the Australian Prudential Regulation Authority became the first major regulator globally to lift restrictions on dividend payments introduced in response to the Covid-19 crisis, whereas other jurisdictions, with the exception of the US, have taken a more headline approach.

Analysts expect banks to remain prudent when deciding on their full-year dividends given continued capital pressure, despite disquiet from retail shareholders.

Thomas Blott

■ FRONT STORY US HIGH-YIELD

Carnival returns after more cruise delays

Revenue generation still in the doldrums

Resumption of voyages dashed again

CARNIVAL CORPORATION squeezed more secured debt out of a US\$28bn collateral package with another second priority secured note issue last week as liquidity needs rise again following delays in the resumption of the cruise line's operations.

The US\$900m note offering came after another set of delays to the company's planned reopening of certain cruise lines in Europe, which many had hoped would resume the flow of revenues at Carnival.

On its July 10 earnings call, Carnival CFO David Bernstein said expectations of the resumption of its AIDA cruises in the first week of August had prompted a shift in the company's liquidity expectations.

"Back in March and April, our thought process was to obtain enough liquidity to sustain the company during the pause in our guest operations and get to the other side," said Bernstein.

"Our focus has now shifted to projecting the additional liquidity that the resumption of our guest operations will provide."

Since then, however, the picture has again changed as countries struggle to control the Covid-19 pandemic.

On August 3, Carnival cancelled its short AIDAperla and AIDamar cruises, which had been expected to set sail from Germany between August 5 and 12.

On August 5, it said it would pause the resumption of US cruises until October 31.

On August 11, it said its UK cruise line P&O Cruises had extended its pause through to mid-November and its Holland America line has cancelled departures to the Caribbean, Mexico, Panama Canal and Australia through to December 15.

"They are trying to build liquidity when they can," said a high-yield investor.

CONVERTING

The August 14 bond offering followed the company's move to raise US\$1.4bn of common stock in the previous week to take out a US\$886m portion of a US\$2bn convertible bond issue that was priced in April.

The stock offering was seen by ratings agencies as offsetting the new debt offering in terms of leverage.

Carnival offered a new second priority seven-year non-call 3.5 year note issue.

It priced the Ba1/BB+ rated notes at par to yield 9.875%, the tight end of price talk of 10% area and inside initial price thoughts of 10%-10.25%.

Secondary performance suffered after the pricing was moved so much tighter, according to an investor.

The notes were last trading on Thursday at 97.25.

In July, it priced a 5.5 year non-call three second priority note offering at 10.50%. Those 2026 notes have since rallied to a cash price of 105 to yield 9.10%, according to MarketAxess.

The price Carnival paid is in sharp contrast to the low yields being achieved by other borrowers that are perceived as less vulnerable to the pandemic.

Ball Corp. for example, was able to raise 10-year unsecured debt with strong Double B ratings at just 2.875%, a record low for a high-yield bond issue with a maturity longer than five years.

"I don't think that bifurcation is going to go away until everyone feels comfortable that a plan to eradicate Covid or a hyper-effective vaccine is found," said one fixed income investment officer.

"The fact that high-yield markets are open isn't putting someone into a cruise ship or a movie theatre," he said.

CASH NEEDS

Carnival said on August 14 that it had US\$7.9bn of cash and cash equivalents as of July 31, and investors and analysts see the bond offering as giving the company sufficient revenue to survive another 12 months in a zero revenue environment.

It expects to burn through an average of US\$650m of cash per month in the second half of the 2020, according to recent SEC filings.

With the new debt offering the company will "substantially exhaust" the secured debt capacity on the US\$28bn collateral package that consists mostly of ships already used to back bond offerings since April, according to CreditSights.

The company has also worked in a "highly unusual and bespoke" term that allows it to

strip security from the second lien notes if necessary, Covenant Review said.

That way it can avoid breaching covenants on some of its ship financing agreements that restrict the amount of total secured debt to 25% of total tangible assets.

Yet while it is maxing out secured debt capacity with this deal, Carnival management emphasised on a call that it retained financial flexibility to raise additional liquidity if required, said an investor.

This could be in the form of a senior guaranteed debt offering, the investor said, which would sit below a second priority lien.

The investor highlighted as an example Royal Caribbean, which announced a US\$700m senior guaranteed term loan on Wednesday.

Other financing options could include export financing deals, preferred stock or common stock offerings, according to the investor.

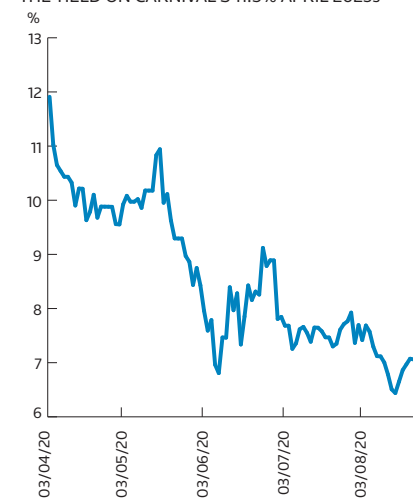
Carnival CEO Arnold Donald also said on a July 10 earnings call that the company was evaluating the sale of non-core assets to provide additional liquidity or reduce its debt burden.

Global co-ordinators on the Carnival deal were JP Morgan and Goldman Sachs. Joint bookrunners were Bank of America, Barclays, BNP Paribas, Citigroup, Deutsche Bank, Lloyds, Mizuho and Santander.

David Bell

INVESTORS STILL KEEPING FAITH

THE YIELD ON CARNIVAL'S 11.5% APRIL 2023s



Source: Refinitiv

UK MBA back but collective guarantees elusive

Lancashire still ploughing lone furrow

Lancashire County Council raised funds through a **UK MUNICIPAL BONDS AGENCY** transaction last week, only the second in the issuer's six-year existence, and again deviating from the original concept of proportional guarantees that the agency initially targeted.

The UK MBA was established in 2014 as a vehicle for councils – most of which tend to borrow in small amounts – to come together to sell bonds in benchmark size through a system of cross guarantees.

However, its only use so far has been to raise funding for Lancashire, the sole beneficiary and guarantor of the agency's first bond issue: a £350m March 2025 which was sold in March and pays a coupon of Sonia plus 80bp.

UK MBA did indicate that a proportionally guaranteed deal would follow the first, but this did not come to fruition.

"We are driven by the needs of local authorities and so of course our issuance will reflect that," Christian Wall, director at PFM, the UK MBA's managed service provider.

UK MBA appointed PFM in 2019 to administer the agency, helping it develop a new operating model and corporate structure. This involved removing the joint guarantee requirements, allowing the agency to now issue on behalf of a single council.

Last Wednesday, the UK MBA brought its second benchmark bond, a £250m no-grow August 2060 issue offered at IPTs of 110bp area over Gilts. On August 11 it announced investor calls for a potential benchmark senior secured guaranteed by Lancashire County Council. The council holds a Aa3 (negative) rating from Moody's.

And although the cross-guarantee system is yet to materialise, investors showed enthusiasm for the new note.

Attracting a broad church of rate and credit buyers, leads *Bank of America*, *Barclays* and *HSBC* announced orders approaching £500m at the first update, cutting the spread to 100bp–105bp. Books remained around £500m and the spread was fixed at 100bp.

Issuing via the UK MBA rather than raising bond funding itself had several benefits for Lancashire.

"It is much more efficient in terms of cost and time for the agency to issue rather than a council set up an SPV and do all the documentation," said Wall.

"We are able to move quickly in and out of the market, our costs are clear, our structure is clear, which is different from say a private placement."

Sources have confirmed that prior to the public issue Lancashire was approached by an investor looking for a private placement issued directly by the council. The benchmark, however, came some 50bp tighter to Gilts than where the private deal would have priced.

COLLECTIVE PREFERENCE

Despite the apparent interest in the deal, investors are still indicating a preference for bonds collectively guaranteed by local councils.

"We would be much more interested in proportional or collective council-backed bonds rather than single council issuers," said Ross Hutchison, investment director, rates fund manager, Aberdeen Standard Investments.

"Clearly, this runs into logistical issues as well as fundamental questions as to what separates the central government finances from a group of councils that effectively makes up central government – but we think the Nordic example shows a successful model – albeit one that has developed over decades."

The UK MBA, which was set up by 56 local authorities, was mandated with helping councils diversify their funding sources away from the Public Works Loan Board, the 200-year-old public body that is the main lender to councils.

Given the significant financial pressures on UK councils, even before the Covid-19 pandemic increased their spending needs, collective issuance through the UK MBA has the capacity to alleviate pressures on council revenue streams, said Hutchison.

"With the enormous economic difficulty facing the world, and the UK being no exception, the risk for local authority downgrades also appear elevated at the moment."

The Covid-19 crisis has put even greater strain on local council finances, already under severe pressure from government spending targets. This could act as the catalyst for collectively guaranteed debt for the UK MBA in the near term.

Described by Moody's as having a "moderate debt level", as of March Lancashire had £1.1bn outstanding.

"Lancashire's main credit challenge is the high levels of savings it will need to make over the next few years to balance its budget," wrote the analysts in July.

"This challenge will be exacerbated by the coronavirus pandemic, which is expected to lead to a high level of spending pressures for the council, particularly in adult and children's social care."

Ed Clark

WEEK IN NUMBERS

0.64%

■ THE YIELD THAT 10-YEAR TREASURIES FELL TO AT ONE STAGE LAST WEEK HAVING HIT 0.72% THE WEEK BEFORE AS THE SELL-OFF IN FIXED-INCOME REVERSED. ON AUGUST 6 THE YIELD WAS AS LOW AS 0.50%



US\$47.79bn

■ THE AMOUNT OF SUPPLY IN THE US HIGH-YIELD MARKET AS OF AUGUST 19, ALREADY DOUBLE THE PREVIOUS AUGUST RECORD OF US\$28.06bn SET IN 2012

92.127

■ THE VALUE THAT THE DOLLAR INDEX FELL TO LAST WEEK, THE LOWEST SINCE APRIL 2018, AS LACK OF PROGRESS ON A NEW STIMULUS PACKAGE WEIGHED ON THE CURRENCY

94bp

■ THE AVERAGE SPREAD THAT INVESTMENT-GRADE CORPORATES IN THE EURO MARKET ARE TRADING AT, THE LOWEST SINCE EARLY MARCH BEFORE THE COVID-19 PANDEMIC STRUCK MARKET SENTIMENT



€810m

■ THE AMOUNT OF CORPORATE BONDS THE ECB BOUGHT (NET) IN THE WEEK TO AUGUST 14 AS PART OF ITS CSPP COMPARED WITH €1.66bn THE WEEK EARLIER

In total, it has bought €44.074bn

SSAR

US DOLLARS

KFW STARS AMID 10-YEAR US DOLLAR SPREE

The 10-year tenor in the US dollar market has been the go-to trade for SSAs in the past week with a flurry of activity beginning

ALL INTERNATIONAL GREEN BONDS

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 BNP Paribas	32	5,654.02	6.7
2 JP Morgan	37	5,521.52	6.5
3 Credit Agricole	25	5,173.75	6.1
4 Citigroup	23	5,106.79	6.0
5 Bank of America	30	4,473.48	5.3
6 HSBC	33	3,824.61	4.5
7 SG	19	3,627.80	4.3
8 ING	24	3,545.11	4.2
9 Barclays	20	3,428.96	4.0
10 Deutsche Bank	24	3,384.04	4.0
Total	159	84,974.02	

Excludes social bonds and mixed use of proceeds.

Source: Refinitiv

SDC code: JG1

ALL US DOLLAR FIXED-RATE GLOBALS

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 Citigroup	260	99,868.28	11.3
2 JP Morgan	289	96,594.38	10.9
3 Bank of America	281	96,569.08	10.9
4 Goldman Sachs	162	66,150.45	7.5
5 Morgan Stanley	151	56,581.77	6.4
6 Wells Fargo	177	50,634.43	5.7
7 Barclays	133	46,711.69	5.3
8 Deutsche Bank	96	36,076.60	4.1
9 RBC	98	30,250.98	3.4
10 TD Securities	84	30,155.37	3.4
Total	521	885,366.64	

Excluding equity-related debt, ABS/MBS.

Source: Refinitiv

SDC code: O5

with a bumper KfW green deal, although there were signs that demand had become more subdued as the week went on.

Prospects of a potentially volatile second half of the year and evidence of ample liquidity has drawn borrowers out in force in the middle of August.

"I think dollars are back and fully firing. And why not, given the levels people are achieving?" said a banker.

The 10-year Treasury yield was quoted at 0.66% last Tuesday, having started the year at 1.88%, according to Refinitiv Eikon.

ALL INTERNATIONAL BONDS (ALL CURRENCIES)

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 JP Morgan	1,200	308,548.48	8.6
2 Citigroup	936	277,220.95	7.7
3 Bank of America	957	267,423.76	7.5
4 Barclays	794	246,146.41	6.9
5 Goldman Sachs	673	206,589.90	5.8
6 HSBC	757	193,944.96	5.4
7 Deutsche Bank	652	177,032.39	4.9
8 BNP Paribas	607	174,815.56	4.9
9 Morgan Stanley	532	154,788.30	4.3
10 Credit Agricole	435	105,026.96	2.9
Total	4,149	3,583,892.31	

Including Euro, foreign, global issues. Excluding equity-related debt, US Global ABS/MBS.

Source: Refinitiv

SDC code: J1

ALL INTERNATIONAL US\$ BONDS

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 Citigroup	709	234,330.06	10.4
2 Bank of America	721	228,407.44	10.2
3 JP Morgan	815	222,348.37	9.9
4 Goldman Sachs	515	186,445.02	8.3
5 Barclays	472	184,492.34	8.2
6 HSBC	346	125,375.80	5.6
7 Deutsche Bank	375	124,196.18	5.5
8 Morgan Stanley	407	118,069.08	5.3
9 Wells Fargo	397	95,827.56	4.3
10 BNP Paribas	245	94,941.95	4.2
Total	2,059	2,244,979.04	

Including Euro, foreign and global issues. Excluding equity-related debt, US Global ABS/MBS.

Source: Refinitiv

SDC code: O1

"In the last 14 days we saw the 10-year US yield increase by around 20bp," said Piet Juerging, vice-president of new issues at KfW.

"Some market participants take the stance that there's an established trading range for US 10-year between 50bp and 70bp, so it gives investors some confidence that there isn't another rally in yields around the corner."

KFW REPEATS RECORD GREEN

On Tuesday, KfW repeated the success of its inaugural 10-year US dollar green bond,

ALL BONDS IN EUROS

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total €(m)	Share (%)
1 BNP Paribas	329	91,526.02	8.1
2 JP Morgan	292	78,759.80	7.0
3 HSBC	282	69,788.12	6.2
4 Barclays	251	67,870.22	6.0
5 Credit Agricole	239	67,531.05	6.0
6 Deutsche Bank	253	66,366.44	5.9
7 UniCredit	227	58,102.99	5.2
8 Citigroup	197	55,122.12	4.9
9 SG	205	54,799.93	4.9
10 Bank of America	198	51,672.15	4.6
Total	1,291	1,124,398.41	

Including Euro-preferreds. Excluding equity-related debt, US Global ABS/MBS.

Source: Refinitiv

SDC code: N1

ALL SOVEREIGN BONDS IN EUROS

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total €(m)	Share (%)
1 BNP Paribas	32	30,796.94	10.9
2 JP Morgan	45	28,042.66	10.0
3 Citigroup	28	19,609.56	7.0
4 HSBC	19	16,666.46	5.9
5 Barclays	28	15,823.63	5.6
6 Credit Agricole	19	15,612.81	5.5
7 Bank of America	34	15,553.79	5.5
8 SG	17	14,266.46	5.1
9 UniCredit	10	13,361.29	4.7
10 Goldman Sachs	19	13,351.50	4.7
Total	138	281,408.21	

Excluding ABS/MBS.

Source: Refinitiv

SDC code: N4

EUROPEAN SOVEREIGN BOND AUCTION RESULTS WEEK ENDING AUGUST 21 2020

Pricing date	Issuer	Size	Coupon (%)	Maturity	Average Yield (%)	Bid-to-cover
Aug 18 2020	UK	£3.25bn	0.125	Jan 31 2023	-0.025	2.59
Aug 18 2020	UK	£2bn	0.625	Oct 22 2050	0.784	2.09
Aug 18 2020	Germany	€3.25195bn	0.00	Nov 15 2027	-0.60	2.34
Aug 19 2020	UK	£2.75bn	0.875	Oct 22 2029	0.153	2.38
Aug 19 2020	Germany	€1.2491bn	0.00	Aug 15 2050	-0.05	2.91
Aug 20 2020	France	€1.505bn	1.75	Nov 25 2024	-0.59	2.76
Aug 20 2020	France	€3.387bn	0.00	Mar 25 2025	-0.57	1.79
Aug 20 2020	France	€2.106bn	1.00	May 25 2027	-0.45	2.32
Aug 20 2020	UK (i)	£1.1bn	0.125	Aug 10 2028	-2.882	2.44
Aug 20 2020	France (i)	€395m	0.10	Mar 1 2028	-0.97	2.50
Aug 20 2020	France (€i)	€231m	3.15	Jul 25 2032	-1.10	2.10
Aug 20 2020	France (€i)	€330m	0.10	Jul 25 2036	-0.99	2.20

Source: IFR

matching the record US\$2bn size, while demand and pricing for the latest issue surpassed it.

Order books in excess of US\$6.7bn for a final spread of mid-swaps plus 16bp for the SEC-registered September 2030 note were comfortably higher and tighter than the US\$4.8bn-plus and plus 21bp seen for last September's trade.

"We decided to come with a 10-year green bond earlier than we thought. We had bilateral discussions last week and decided this week might be a good window," said Petra Wehlert, head of capital markets at KfW.

BNP Paribas, Bank of America and Citigroup led the latest deal, tightening by 3bp from IPTs.

On the same day, an SEC-registered US\$1bn August 2025 benchmark note from **SWEDISH EXPORT CREDIT** extended the issuer's run of consecutive monthly deals in the currency to four.

BNP Paribas, HSBC, Mizuho and Morgan Stanley landed the trade with a final spread of plus 19bp after tightening by 1bp.

Demand exceeded US\$1.4bn, including US\$100m of joint lead manager interest.

ANOTHER LARGE 10-YEAR

Despite being the largest deal of the week, the **WORLD BANK**'s US\$3bn August 2030 bond did not quite hit the heights of the KfW transaction.

The Sustainable Development Bond landed at 17bp over swaps, 1bp inside IPTs, after attracting a final order book of more than US\$4.5bn. A lead estimated a small new issue concession of about 0.5bp.

"A 10-year transaction is not something that's consistently there," said Andrea Dore, head of funding at the World Bank.

"It's really driven by market dynamics; where yields are and investor feedback."

First-mover advantage and the green element created additional demand for KfW, in addition to some scarcity value, according to a second banker.

ALL AGENCY BONDS IN EUROS

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total €(m)	Share (%)
1 HSBC	35	11,530.61	11.5
2 JP Morgan	33	10,175.11	10.2
3 Credit Agricole	26	7,774.72	7.8
4 Barclays	21	7,526.32	7.5
5 Deutsche Bank	18	6,712.63	6.7
6 BNP Paribas	27	6,264.57	6.3
7 NatWest Markets	14	5,685.13	5.7
8 Bank of America	12	5,071.60	5.1
9 SG	20	4,876.31	4.9
10 Commerzbank	19	4,550.17	4.5
Total	148	100,190.15	

Excluding equity-related debt. Including publicly owned institutions.

Source: Refinitiv

SDC code: N6

"KfW has been extremely rare in the dollar market, and in the 10-year space in particular. You have to take into account that IBRD is a much more frequent issuer."

The Washington multilateral last issued a 10-year dollar bond in May – a US\$4bn transaction priced at mid-swaps plus 35bp on demand exceeding US\$5.6bn.

By comparison, the last 10-year bond from KfW in the US dollar market was a US\$2bn deal 11 months ago which was also in green format.

"They often reserve the green element for the 10-year bucket because they don't necessarily have the confidence that a US\$3bn-type trade is there," said the second banker.

"I think going forward the bigger demand probably returns to the five-year space," he added.

Bank of America, HSBC, JP Morgan and Wells Fargo were the leads.

DBJ STAYS TRUE TO FORM

DEVELOPMENT BANK OF JAPAN kept with tradition in bringing a dual-tranche deal in August, with a five-year note in addition to a 10-year tranche.

It means the issuer has carried out trades with the same structure every August since 2016.

Leads Barclays, Citigroup, Morgan Stanley and Nomura set a final spread of mid-swaps plus 28bp for the US\$700m August 2025s and plus 42bp for the US\$1bn August 2030s. Demand was more than US\$1.5bn and US\$3bn, respectively.

"Both tranches look very tight versus their curve, but I think the 10-year looks probably the lesser of two evils on a relative value basis," said a third banker.

DEMAND SOFTENS

By Thursday, when **INTERNATIONAL FINANCE CORP** joined the rush, demand was a lot more subdued.

ALL SUPRANATIONAL BONDS IN EUROS

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total €(m)	Share (%)
1 JP Morgan	13	5,655.23	9.2
2 Deutsche Bank	12	5,643.42	9.2
3 Credit Agricole	14	5,377.33	8.8
4 Goldman Sachs	7	4,685.00	7.7
5 HSBC	7	4,420.76	7.2
6 BNP Paribas	11	4,317.13	7.1
7 SG	8	4,089.88	6.7
8 Bank of America	10	4,049.30	6.6
9 UniCredit	6	3,751.63	6.1
10 Barclays	7	3,462.43	5.7
Total	45	61,185.25	

Excluding ABS/MBS.

Source: Refinitiv

SDC code: N5

The US\$1bn SEC-exempt August 2030 benchmark came with a final spread of mid-swaps plus 18bp, unchanged from initial guidance and 1bp wider than the IBRD trade.

While the deal was still covered, the final order book was a little over US\$1.2bn.

Citigroup, HSBC, JP Morgan and Nomura joint lead managed the deal.

"I think World Bank was maybe a little bit oversized, and this didn't help the trade coming after," said a fourth banker.

IFC is a member of the World Bank group and as such often trades similarly in terms of price albeit with smaller size.

Last month, for instance, both issued July 2025 notes at the same price level of mid-swaps plus 10bp, sized at US\$2bn and US\$5bn, respectively.

EUROS

LAENDER 59 PROVES A HIT-AND-MISS AFFAIR

Pricing that failed to move from guidance and an undeclared book were the main features of a €1bn 10-year issue from joint German **LAENDER 59** on Wednesday.

A banker away from the trade said it did not come as a surprise since joint Laender issues tend to be hit-and-miss affairs.

"[They] are always €1bn minimum in size. Therefore, you run the risk that you have no oversubscription but still have to print €1bn," he said.

Leads began marketing the 0.01% August 2030 notes at mid-swaps plus 1bp area, before setting the spread in line to yield negative 0.203%. Book details were not made available.

The final spread was about 1bp back of 10-year bonds issued last year via Laender 56 and 57, both quoted at mid-swaps flat on Tradeweb.

A lead manager estimated fair value at less 1bp.

MUNICIPAL, CITY, STATE, PROVINCE ISSUES IN EUROS

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total €(m)	Share (%)
1 UniCredit	48	13,539.65	16.6
2 JP Morgan	22	5,598.83	6.9
3 DGZ-DekaBank	36	5,532.41	6.8
4 Barclays	23	4,985.89	6.1
5 Nord/LB	32	4,938.11	6.1
6 Deutsche Bank	28	4,929.45	6.0
7 BayernLB	24	4,836.56	5.9
8 HSBC	28	4,055.52	5.0
9 LBBW	22	3,467.36	4.2
10 Commerzbank	21	3,429.49	4.2
Total	150	81,586.83	

Excluding ABS/MBS.

Source: Refinitiv

SDC code: N7

"I think anyone who had an eye on the trade knew that it would not be a rocket," he said.

The banker away from the issue saw fair value at a wider level, at plus 2bp–3bp.

"It is really on the tight end of the possible range. And you see there was no tightening."

Last year, the Laender 56 and 57 got books in excess of €2.4bn and €1.1bn, respectively.

Commerzbank, DekaBank, LBBW, NordLB, RBI and TD were lead managers on Laender 59.

NON-CORE CURRENCIES

NEW ZEALAND TO TAP APRIL 2027 LINE

The **NEW ZEALAND TREASURY** (Aaa/AA+/AA+) has mandated ANZ, BNZ, CBA and UBS as joint lead managers for a syndicated tap of the NZ\$7.25bn (US\$4.78bn) 4.5% April 15 2027 nominal bond issue, which is expected to be launched this week.

This will be the Treasury's fourth syndicated issue since the start of the coronavirus pandemic.

It follows a NZ\$3.5bn tap of the 1.5% May 15 2031s on April 9, a record NZ\$7bn sale of new 0.5% May 15 2024s on June 16 and a NZ\$4.5bn print of new 1.75% May 15 2041s on July 14.

These trades benefited from strong offshore demand, underpinned by New Zealand's attractive outright yields as well the country's widely applauded Covid-19 response, despite a recent, modest spate of cases in Auckland.

In May, the Treasury raised its gross bond supply forecasts for the 2020/21, 2021/22, 2022/23, and 2023/24 fiscal years to NZ\$60bn, NZ\$40bn, NZ\$35bn and NZ\$30bn from NZ\$10bn, NZ\$8bn, NZ\$8bn and NZ\$6bn previously.

A revised borrowing programme is due to be revealed alongside the pre-election economic and fiscal update, which is now due to be published on September 16.

This will precede the general election, which has been postponed by one month, until October 17, due to the rise in new cases and subsequent Auckland lockdown.

CORPORATES

US DOLLARS

J&J BRINGS ACQUISITION BOND ON QUIET DAY

JOHNSON & JOHNSON virtually had the market to itself on a quiet day in the high-grade space on Thursday as it priced a US\$7.5bn

six-part bond deal to fund its acquisition of biotechnology company **MOMENTA PHARMACEUTICALS**.

The transaction from the rare Triple A rated credit more than covered the cost of the US\$6.5bn acquisition and received US\$17.6bn in total demand.

"I would be fairly certain they will see excellent demand," one banker away from the deal said. "There are not too many Triple A names left to buy, so I think everyone will want a piece of this trade."

The deal gives J&J's Janssen pharmaceutical unit Momenta's experimental therapy called nipocalimab, which could help treat a neuromuscular disease that causes weakness in muscles, and other diseases where the immune system attacks the body.

Johnson & Johnson priced US\$1bn five-year at 30bp over Treasuries, a US\$1.5bn seven-year at 50bp over, a US\$1.75bn 10-year at 65bp over, a US\$1bn 20-year at 75bp over, a US\$1bn 30-year at 90bp over and a US\$1.25bn 40-year at 110bp over.

The 0.55% coupon on the five-year matched Apple's offering from the previous week but was slightly wide of the lowest of the year at that tenor, Alphabet's 0.45% five-year which was priced at the beginning of August. The pharmaceutical and consumer goods company is one of just two remaining Triple A names in the bond index, alongside Microsoft, and appealed to investors seeking safety amid an uncertain future for the US economy.

Indeed, the release of higher-than-expected jobless claims on Thursday triggered a flight-to-safety bid in the Treasury market, where the yield on the 10-year dropped to 0.638% following the data.

"Yields will obviously be very low, and since this is a relatively small deal for JNJ, given their size and ratings, they won't necessarily need to pay a concession," an analyst noted.

"That said, it will be index-eligible and indexers will need to participate, so there will still be demand."

While J&J's balance sheet remains exceptionally strong, with both Moody's and S&P reaffirming their Aaa/AAA ratings, it does face headwinds, including a negative outlook from Moody's.

The acquisition and debt issuance came as J&J's leverage hit a 15-year high over the last year, S&P wrote in a report.

Leverage is up to 1.3 times in the second quarter following a significant share repurchase programme and softness in the company's medical device business as patients put off elective surgeries amid the Covid-19 pandemic, S&P said.

Additionally, J&J is setting aside some US\$4bn–\$5bn for risks related to ongoing lawsuits against the company alleging its

talc-based baby powder causes cancer and that it falsely promoted the safety of highly addictive opioids.

"Despite an increase in debt/Ebitda to fund the Momenta acquisition, J&J's Aaa rating reflects its excellent business profile and a financial profile that supports deleveraging," Michael Levesque, Moody's senior vice-president, stated in a report.

"However, higher financial leverage reduces J&J's flexibility to absorb potential talc and opioid-related litigation outflows – the key risk factors in the negative outlook."

The new six-parter was Johnson & Johnson's first bond offering since 2017, when it raised US\$4.5bn in a four-part deal, according to IFR data.

Bank of America and JP Morgan were active bookrunners on last week's trade, while Citigroup and Deutsche Bank were passive.

ROPER ACHIEVES CHEAP BOND FUNDING FOR VERTAFORE PURCHASE

Software company **ROPER TECHNOLOGIES** was in the market on Tuesday with a four-part deal to fund its US\$5.35bn acquisition of cloud-based software company **VERTAFORE**.

The M&A deal is expected to be funded through last week's US\$2.7bn bond deal, a revolving credit facility and cash on hand, management said during an investor call later posted to the company's website.

Management also guided that the total cost of funding should come under 2%, and lead bookrunners achieved that goal after spreads tightened by 20bp–30bp from initial price thoughts.

Roper Technologies priced a US\$300m two-year at 35bp over Treasuries, a US\$700m five-year at 75bp over, a US\$700m seven-year at 95bp over and a US\$1bn 10-year at 110bp over.

The new 10-year was priced with a 1.75% coupon, landing inside its 2% 2030s, which it priced in June at 125bp over Treasuries and which were quoted at a G-spread of 112.6bp, according to MarketAxess data.

ALL INV-GRADE US CORPORATE BONDS

BOOKRUNNERS: 1/1/2020 TO DATE

	Managing bank or group	No of issues	Total US\$(m)	Share (%)
1	JP Morgan	125	30,606.91	12.8
2	Bank of America	105	26,835.74	11.2
3	Morgan Stanley	67	19,171.42	8.0
4	Citigroup	74	17,858.94	7.4
5	Goldman Sachs	66	16,361.49	6.8
6	Barclays	60	15,892.10	6.6
7	Wells Fargo	80	14,458.60	6.0
8	Mizuho	47	10,297.62	4.3
9	BNP Paribas	29	7,002.97	2.9
10	MUFG	39	6,971.33	2.9
	Total	222	240,039.39	

Excluding equity-related debt, ABS/MBS, all foreign issues, global issues and non corporates.

Source: Refinitiv

SDC code: F6a

The acquisition will propel Roper Technologies into the property and casualty insurance software sector and add to its suite of end markets, including life insurance, healthcare, transportation, food, energy, water, education and academic research.

Roper Technologies, rated Baa2/BBB+, intends to pay down debt with excess free cashflow over time, as it did with its US\$2.8bn acquisition of Deltek in 2016, management noted on the investor call.

S&P expects the deal will increase Roper's leverage metrics to around 4x debt to Ebitda, but that the company can delever meaningfully to around 3x by the end of 2021 and below 3x by the first half of 2022.

"We believe this acquisition is consistent with Roper's growth strategy and should support Roper's strong and stable cashflow generation," S&P wrote in its report.

"The proposed acquisition would modestly improve Roper's business by increasing its scale and the scope of its operations in the software segment while also improving overall profitability."

The relatively short tenors on Tuesday's offering and the mix of revolver facilities to fund the deal suggest Roper is committed to quickly deleveraging, CreditSights noted.

Roper intends to use its US\$1bn 2021 revolver to pay off a US\$600m bond coming due in December as well as a smaller US\$365m bolt-on acquisition that is expected to close later this year, according to the investor call.

"These nuances foreshadow a clear path and commitment to the firm's aforementioned delevering plan and help to solidify our comfort in Roper recapturing its pre-deal credit metrics in the next two to three years," said CreditSights.

"On the whole, we maintained a favourable view of secondary valuations prior to this issuance, with any new issue concession that persists into pricing presenting an attractive opportunity for investors to pick up incremental spread."

ALL US INVESTMENT GRADE CORPORATE DEBT BOOKRUNNERS: 1/1/2020 TO DATE

	Managing bank or group	No of issues	Total US\$(m)	Share (%)
1	JP Morgan	569	180,611.73	12.7
2	Bank of America	528	168,542.37	11.8
3	Citigroup	439	136,647.89	9.6
4	Morgan Stanley	327	106,440.85	7.5
5	Goldman Sachs	319	105,528.16	7.4
6	Wells Fargo	325	101,093.84	7.1
7	Barclays	221	65,645.22	4.6
8	Mizuho	196	46,322.86	3.3
9	Deutsche Bank	144	45,992.44	3.2
10	HSBC	137	45,481.85	3.2
	Total	1,040	1,424,335.52	

Source: Refinitiv

SDC code: F9

GM FINANCIAL LOCKS IN LOW RATES

GENERAL MOTORS FINANCIAL was back in the market last Monday for the fifth time this year to take advantage of low spreads and a strong rate environment.

The financial arm of the last remaining high-grade US automaker priced new US\$1.25bn three and US\$900m seven-year offerings at Treasuries plus 155bp and 225bp, tight to initial price thoughts of 180bp and 245bp area, respectively.

The short-to-medium term offerings best match the auto lender's assets, which include auto loans and leases for similar lengths, CreditSights noted in a report.

GM Financial also tapped its 3.60% 2030s for US\$350m, which was priced at 290bp over Treasuries in June and had tightened to a G-spread of 234.1bp. Leads set a final spread of 240bp over Treasuries on the reopening, tight to initial price talk of 260bp area.

The automotive company rarely issues 10-year debt or longer, but tight spreads and a low Treasury yield environment provide an opportunistic technical backdrop, one lead banker said.

Automotive sector spreads had tightened to 128bp over Treasuries on Monday, in from 638bp in March, according to ICE BofA data.

Much of March's high spread pricing was based on fears of downgrades in the sector, but after Ford was cut to junk, ratings agencies took a more favourable view of GM, CreditSights noted.

"We do not see GM as having crossover risk in the intermediate term with the agencies providing it a leash to perform in a downcycle," CreditSights analysts Hitin Anand and Eric Ng wrote.

While Moody's continues to have a negative outlook on GM's Baa3 rating, Fitch has a stable BBB- rating for the company and S&P just the week before last affirmed its BBB rating while removing its negative credit watch status.

ALL CORPORATE BONDS IN EUROS BOOKRUNNERS: 1/1/2020 TO DATE

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	BNP Paribas	174	31,671.65	9.3
2	Deutsche Bank	105	23,627.11	6.9
3	HSBC	127	23,104.32	6.8
4	Barclays	84	19,379.81	5.7
5	Citigroup	100	19,054.14	5.6
6	Bank of America	91	18,824.54	5.5
7	SG	109	18,279.31	5.4
8	JP Morgan	102	16,947.33	5.0
9	Credit Agricole	91	15,515.46	4.5
10	UniCredit	88	13,861.02	4.1
	Total	365	341,058.25	

Excluding equity-related debt. FIGS, ABS/MBS.

Source: Refinitiv

SDC code: N8

S&P, however, has maintained a longer-term negative outlook on the credit, reflecting a 33% chance of a one-notch downgrade over the next 12–24 months.

"GM experienced a historically steep year-over-year revenue decline in second-quarter 2020 because of plant shutdowns that arose from the Covid-19 pandemic," S&P wrote.

"We believe the uncertainty related to the pandemic is ongoing and introduces risk to our base case forecast for GM's sales, profitability and cashflow."

Prior to last week's offering, GM had already raised US\$8.75bn in 2020. Barclays, BNP Paribas, Goldman Sachs, Scotiabank, Societe Generale and TD Securities were joint bookrunners.

WAYPOINT REIT PRICES USPP

Australia's WAYPOINT REIT has priced its inaugural US private placement. It sold US\$178m of notes across seven, 10 and 12-year tranches with a weighted average life of 9.2 years. Moody's has assigned the notes a Baa1 rating.

The notes have been currency-hedged and swapped back into Australian dollars at a weighted average floating margin of 281bp over the 90-day BBSY.

Proceeds will be used to pay down term loans and revolving credit facilities.

Settlement is expected on October 29.

Waypoint REIT owns service stations and convenience stores across Australia. It was formerly called Viva Energy REIT, but changed its name in May after Viva Energy Australia Group divested its 35.5% stake.

EUROS

FINNAIR PLANS FLIGHT PATH FOR HYBRID REFI

FINNAIR is assessing the merits of issuing hybrid debt, marking what would be the

ALL INVESTMENT-GRADE BONDS IN EUROS BOOKRUNNERS: 1/1/2020 TO DATE

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	BNP Paribas	262	80,407.91	8.1
2	JP Morgan	233	69,695.07	7.1
3	HSBC	239	64,372.64	6.5
4	Credit Agricole	209	60,966.62	6.2
5	Barclays	188	58,293.89	5.9
6	Deutsche Bank	201	56,989.89	5.8
7	UniCredit	189	53,167.23	5.4
8	SG	180	51,508.36	5.2
9	Citigroup	140	46,189.41	4.7
10	Bank of America	159	44,711.98	4.5
	Total	1,076	987,743.66	

Excluding ABS/MBS, equity-related debt.

Source: Refinitiv

SDC code: N9

US high-grade primary market sets new August record

■ CORPORATES Monthly volume tops US\$121bn in bumper year

Borrowers have brought US\$121.278bn to the US high-grade corporate bond market so far this month, setting a new record high for supply in August, according to IFR data.

The previous August record was set in 2016, when issuers priced US\$115.3bn during what is typically a slow month as market participants leave their desks for late summer vacations.

The achievement marks yet another in a series of record-breaking supply milestones for the asset class this year as the Federal Reserve provides support for corporate bonds.

With US\$1.387trn in supply, 2020 is already the busiest year on record for investment-grade bond supply, surpassing the prior full-year record of US\$1.333trn in 2017, IFR data show.

Supply was expected to slow down in the second half of the year, and especially in the summer months before the typical post-Labor Day September surge hits, market participants said.

But a rally in US Treasuries and tightening spreads made funding conditions ideal for issuers to bring liability management trades to retire high interest bonds in favour of low coupon debt.

For example, this month, Alphabet, Apple, Chevron, Comcast and CVS Health have all issued sizeable bonds that often one-upped each other for record-setting low coupons.

"Recent liability management exercises shouldn't be a great surprise. The reality is that corporates loaded up on more liquidity than was perhaps necessary through February to April and this war chest of cash will be put to work so long as the US economy continues to recover and sectors return to activity," Deutsche Bank's US credit strategist Craig Nicol wrote in a report last week.

"At the same time, it also appears that the larger corporates are comfortable continuing to

raise debt to lock in historically low borrowing costs for long periods of time."

At this pace, one banker said he was starting to feel uncomfortable with previous end-of-year estimates for US\$1.5trn.

Patrick Leary, head of trading at Incapital, said 2020 full-year volumes could very well reach US\$1.8trn or higher.

"It's not all that crazy when you look at the volumes we did [in previous years] where we didn't have extremely low rates, we didn't have spreads artificially compressed by the Federal Reserve, and we didn't have a Fed backstop buying low Triple B and fallen angel securities," Leary said.

"To do an extra US\$500bn in a year doesn't seem all that insane to me. It's a lot of debt, don't get me wrong – but it's not unforeseen given the backdrop of what's happened."

William Hoffman

first airline issued bond in the European market since the outbreak of Covid-19.

The unrated Finnish flag carrier said last Tuesday it was considering the issuance of a maximum €200m in hybrid debt – ranking below senior debt – while at the same time inviting holders of its 7.875% €200m hybrid to tender for cash.

As one of the hardest hit sectors by the pandemic, airline bonds have been heavily hit by volatility and with the possibility of travel being curtailed again as infections rise, prospects for the industry look dire.

Still, with the Finnish government owning more than 50% of Finnair investors are likely to take a more lenient approach to the company's new debt than those carriers without state backing, said several sources.

"You'll notice that a lot of the air industry issuers that have issued have had some element of state backing and I think that is quite key," said a banker.

Like all airlines, however, Finnair has taken a pummeling over the last five months. Revenue for the second quarter decreased by 91.3% compared to the second quarter of 2019, falling to €68.6m. The number of passengers sunk by 97.5% to 100,000.

The company is tendering its hybrid due to be called in October in an any-and-all offer while the new potential hybrid is earmarked as a perpetual non-call three-year.

Investors will need to consider if they want to tender and get a likely lower coupon bond once the step-up on the old one is taken into account, but with the payment locked in for three years; or if they stay in the old perpetual knowing that if Finnair does not call the bond in October, it has a call option on it on a 12-month rolling basis.

Should the outstanding hybrid – a 7.875% perp that was issued in 2015 – go uncalled in October, the coupon will step up by 500bp, the prime reason for the issuer considering refinancing, said a spokesperson for the company.

This may appear to provide a strong incentive for Finnair to call the debt though the issuer will weigh that against the possibility of better borrowing conditions in the future, especially given the elevated levels an airline would have to issue at right now.

Although the potential new issue would be notable as the first European airline bond since international travel all but disappeared earlier this year, bankers do not see it as necessarily signalling an impending flow of supply from the sector.

The pressure to issue to refinance is limited with most airlines selling a relatively small volume of bonds.

Finnair, for example, only has one other note, a €200m 2.25% March 2022 senior unsecured.

Meanwhile, the spread issuers would have to pay to sell new bonds was described by a

second banker as "woefully wide" and until air travel resumes in earnest, it is a tough story to pitch to credit investors. Finnair's 2022 was last week bid at 513bp over swaps, according to Tradeweb.

Citigroup, Nordea, and OP Corporate Bank are arranging the tender offer for Finnair. Investor calls took place last week.

► 'GET IN EARLY', BANKERS ADVISE HIGH-GRADE CORPORATES

Market expectations indicate that fresh, more opportunistic, European corporate primary issuance will emerge this week as a preamble to supply resuming in full at the start of September.

Bankers are advising their high-grade corporate clients to get into the market ahead of the pack once the summer lull is over as persistent uncertainties over Covid-19 lend no appeal to waiting.

"I reckon issuers should move ahead of the pack rather than be in the middle of all the issuance," said one syndicate banker. "Our first deals are lined up for [this] week."

Many corporates will likely take a more opportunistic view of the market in the second half, tapping the primary when it appears firm.

"A theme could be opportunistic funding. Pre-financing some of the 2021 maturities," said the banker.

“Take the negative carry, but knowing that the market could turn if there’s more bad news on the Covid front, US-China tension, Brexit discussions going nowhere.”

Investors will likely be ready for any new supply, even though the market re-opening is expected earlier than is typical because of the late August bank holiday.

“People have not travelled as much this year. Sure it is true some decision makers have been or might still be away, but a lot of people have been around and have been keeping an eye on the state of the market and the issuers,” said a second banker.

Conditions for issuers appear solid. Levels are supportive, the average yield on the iBoxx euro non-financials index was around 0.69% last week according to Refinitiv data, and the lack of supply over recent weeks should help reduce premiums.

The companies most at risk from a return to further lockdowns are also likely to be those most eager to return to the market.

“The coronavirus isn’t gone and I think there are a lot of nervous corporate treasurers out there thinking about how they need to shore up liquidity,” said a third banker.

“Those that are most affected are the ones that are going to be looking most closely.”

Overall supply for the remaining months of the year will likely remain subdued compared to the record volumes seen from corporates earlier in the year.

Bankers are predicting less than €200bn in the final quarter, adding the caveat that should lockdowns once again be imposed on a wider scale, corporates could dash to raise liquidity to see them through.

Investment-grade euro issuance has reached €320bn, year-to-date, according to IFR data.

PRIVATE PLACEMENTS HELP FILL PUBLIC PRIMARY VOID

Investors back at their desks and with cash to invest are looking at the private placement

ALL CORPORATE BONDS IN STERLING

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total £(m)	Share (%)
1 Barclays	25	2,901.87	14.4
2 HSBC	24	2,488.42	12.4
3 NatWest Markets	19	1,742.83	8.7
4 BNP Paribas	15	1,547.45	7.7
5 JP Morgan	9	1,480.43	7.4
6 Citigroup	9	1,086.38	5.4
7 Goldman Sachs	7	1,035.43	5.1
8 Lloyds Bank	10	1,005.71	5.0
9 RBC	10	925.94	4.6
10 Deutsche Bank	6	749.62	3.7
Total	50	20,122.20	

Source: Refinitiv

SDC code: N8a

market as a source of new trades, and some corporate borrowers are showing a willingness to respond to buy-side interest dissatisfied by the empty primary benchmark space.

The euro high-grade corporate public market has not seen a new issue being priced since late July and private placements have the potential to act as a relief valve for growing demand for new paper.

“There is often that inverse relationship between the public and private [markets]. Obviously, over the summer it can go dead for both, but sometimes if someone can’t get what they want in the primary they will look at private,” said a banker.

One borrower responding to such demand is **BMW**. The German carmaker, issuing via Dutch-domiciled BMW Finance, last week sold a €500m June 2022 floater paying 60bp over Euribor, according to Refinitiv data. *Deutsche Bank* placed the trade. A product such as this could appeal to both credit investors and money market funds.

Although investors may be showing more interest in smaller private deals while the public market remains empty this has not translated into a huge flow of private placements, but rather sporadic issuance.

One factor limiting supply in the public market during late July and August is as equally applicable to private trades: earnings blackouts.

Therefore, only relatively flexible issuers and those familiar with reverse enquiry driven transactions are likely to be able to respond to demand as it arises.

BMW, for example, is a familiar issuer of private placements. Prior to last week’s deal the BMW Finance entity had already issued four MTNs in the euro market in 2020, according to Refinitiv data.

With the public market for corporate issuance expected to partially reopen this week and supply to resume in earnest the week after, it is uncertain whether investors will push for more privately placed deals, or hang back and wait for new supply.

ALL SWISS FRANC BONDS INCLUDING

SECURITISATIONS

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total SFr(m)	Share (%)
1 Credit Suisse	93	11,840.7	31.4
2 UBS	73	8,201.7	21.7
3 ZKB	45	6,082.0	16.1
4 Verband Schweizerischer	15	5,084.5	13.5
5 Raiffeisen Schweiz	31	2,975.3	7.9
6 Deutsche Bank	9	1,357.6	3.6
7 Basler KB	8	538.5	1.4
8 Commerzbank	5	410.7	1.1
9 BNP Paribas	5	365.4	1.0
10 Luzerner KB	2	281.3	0.7
Total	154	37,765.8	

Including preferreds. Excluding equity-related debt.

Source: Refinitiv

NON-CORE CURRENCIES

MERCURY NZ PLANS GREEN DEBUT

MERCURY NZ, rated BBB+ (S&P), has mandated ANZ as arranger and green bond coordinator as well as joint lead manager with BNZ, *Craigs Investment Partners* and *Forsyth Barr* for a maximum NZ\$200m (US\$130m) seven-year senior unsecured fixed-rate green bond offer.

The offer is expected to open on August 31 and close on September 4.

Mercury NZ, a New Zealand electricity generation and retailing company, will become only the third Kiwi corporate to issue green bonds in the local market following last year’s deals from Argosy Property and Contact Energy.

The proceeds of the green bonds are intended to finance and refinance eligible projects in accordance with Mercury’s green financing framework dated August 2020, primarily the construction of the Turitea wind farm.

LOGOS PLANS A CALL

Australia-based **LOGOS HOLDCO** will hold calls with fixed income investors in Singapore on Monday to introduce its credentials via lead manager *DBS Bank*.

The company recently established a multi-currency debt issuance programme for S\$1bn (US\$732.8m) that is guaranteed by Logos Property Group. The debt programme includes a change of control event, which if triggered would require redemption of any bonds issued under the programme.

DBS is also sole arranger and dealer for the unrated programme.

Logos Property Group develops and manages vertically integrated logistics properties across Asia-Pacific, including Australia. In March this year, Singapore-

ALL INTERNATIONAL STERLING BONDS

EXCLUDING SECURITISATIONS

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total £(m)	Share (%)
1 NatWest Markets	61	11,172.73	12.0
2 HSBC	66	11,044.04	11.9
3 Barclays	70	10,256.47	11.0
4 RBC	33	7,726.32	8.3
5 Lloyds Bank	25	5,950.29	6.4
6 Citigroup	25	5,780.19	6.2
7 Bank of America	26	5,351.09	5.8
8 Deutsche Bank	21	4,703.68	5.1
9 BNP Paribas	21	4,699.73	5.1
10 JP Morgan	20	3,898.75	4.2
Total	164	93,061.54	

Including preferreds. Excluding equity-related debt.

Source: Refinitiv

SDC code: K05a

listed AR Asset Management Holdings' subsidiary AR Logistics Venture acquired a major stake in the Australian company. Other shareholders include Ivanhoe Cambridge China as well as founders John Marsh, Trent Iliffe and Stephen Hawkins.

FIG

US DOLLARS

SANTANDER UK DIPS INTO DOLLAR MARKET

SANTANDER UK GROUP HOLDINGS, rated Baa1/BBB/A, returned to the US bond market last Monday, selling US\$1bn of senior paper to strengthen its regulatory capital base after the Spanish parent took record losses in the second quarter.

Taking advantage of a strong backdrop in the US high-grade market and the relative absence of senior bank paper from European lenders, the Spanish-owned bank was able to garner attractive pricing in what was the UK subsidiary's third US dollar deal this year.

The six-year non-call five issue was priced at par to yield 1.532% for a spread of 125bp over Treasuries, inside initial price thoughts of plus 150bp area and at the tight end of the plus 125bp–130bp fair value range calculated by two bankers away from the trade.

Even with Yankee high-grade bank volumes up this year, much of that supply of late has taken the form of subordinated debt, according to IFR data.

Senior bonds have been rarer, providing a lift for Santander's deal, say bankers.

"Yankee supply has been pretty light and new issue concessions across the market have been quite low, so this should go well," one banker said.

In the previous week, HSBC priced a US\$3.5bn two-part senior unsecured bond offering that included a US\$2bn 1.645% six-year non-call five tranche that came at a spread of 135bp over Treasuries.

Santander priced the deal in line with or even slightly tight to HSBC's six-year non-call five that was trading in the context of 127bp over, according to MarketAxess data.

This comes as the economic fallout from Covid-19 impacts profits at UK financial institutions, which have reported higher than expected credit losses this year.

Santander UK has increased its provisions for expected credit losses by £318m, or 37%, since December 31 2019 to £1.181bn, it said in its half-year financial report.

The last time Santander came to the US dollar market was in May, when its subsidiary Santander Holdings USA, rated Baa3/BBB+/BBB+, priced a US\$1bn five-year senior note offering at 315bp over Treasuries.

That same 3.45% 2025 issue was last week trading at a G-spread of 153.7bp.

The UK subsidiary was last in the dollar market in February with a covered bond offering due 2023, and before that in January, when Santander UK PLC issued 2.10% 2023 bonds that were trading on Monday at a spread of 42bp over Treasuries, according to MarketAxess data.

Santander UK's trade demonstrated the attractiveness of the US dollar market versus alternative currencies for international issuers, as it was deemed to have been priced about 20bp inside an equivalent euro-denominated trade.

Bankers said that other banks may also, therefore, favour the US dollar market while it remains open in the run-up to Labor Day, instead of the euro market, which is yet to reopen after the Q2 earnings season.

"It's still a problem [for the euro market] that even when an issuer decides they want to print something, it's very challenging to beat the US dollar market," said a syndicate banker.

"We're scheduled for a reasonably busy week of US dollar issuance."

A banker at one of Santander UK's leads agreed.

"The other factor is we've got a US election coming up in three months and we've got the continuing trade war between the US and China, both of which have the potential to increase volatility."

"So getting out into the market in dollars ahead of those events is pretty sensible."

Citigroup, Goldman Sachs, JP Morgan, Morgan Stanley and Santander were active bookrunners on Monday's trade.

ALL FINANCIAL INSTITUTION BONDS IN EUROS BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total €(m)	Share (%)
1 Credit Agricole	49	14,124.57	10.4
2 SG	33	9,729.45	7.2
3 JP Morgan	51	8,292.64	6.1
4 Deutsche Bank	40	7,858.09	5.8
5 Barclays	36	7,749.69	5.7
6 Natixis	28	7,731.04	5.7
7 BNP Paribas	29	7,423.76	5.5
8 HSBC	36	5,804.38	4.3
9 UniCredit	31	5,663.86	4.2
10 UBS	23	3,986.95	2.9
Total	228	135,942.88	

Including banks, insurance companies and finance companies. Excluding equity-related and covered bonds. Excluding publicly owned institutions.

Source: Refinitiv

SDC code: N11

PRUDENTIAL RETURNS TO HIGH-GRADE PRIMARY WITH JUNIOR SUBS

PRUDENTIAL FINANCIAL joined the crowd of borrowers tapping the US high-grade sector to refinance more expensive debt at lower rates.

The insurer and investment management company has had little trouble accessing funding during the Covid-19 pandemic and has already hit the market several times since the outbreak.

In March, it came with a US\$1.5bn three-part offering – which included its inaugural green bond sale – and in May it issued a rare P-Cap structure through its Five Corners Funding Trust II to shore up liquidity.

On Tuesday, it raised US\$1.3bn through two junior subordinated note issues to redeem its similarly subordinated US\$575m of 5.75% 2052s and US\$710m of 5.70% 2053s, which are callable in September at par.

"Prudential will benefit in terms of interest coverage from the lower coupons on the issuance compared to those being redeemed, given lower current interest rates," noted Moody's in a report.

Bookrunners *Barclays, Citigroup, Goldman Sachs, Morgan Stanley and Wells Fargo* priced a US\$800m 30-year non-call 10 junior subordinated bond issue at a yield of 3.70%, tight to initial price thoughts of 4.125%–4.25%, on the back of a US\$3.8bn book.

Meanwhile, bookrunners *Wells Fargo, Bank of America, Morgan Stanley and UBS* priced a US\$500m 40-year non-call five fixed-for-life US\$25-par retail bond offering at 4.125%, inside IPTs of 4.5%.

Mid-way through price progression, bookrunners were able to upsize the 40NC5 from its initial size of US\$200m in order to fully cover the size of the redemption.

Among the comparables, leads were leaning on both the company's senior and junior curves. Prudential's senior 2.10% 2030s and 3.70% 2051s were trading at yields of 1.44% and 2.97%, respectively.

ALL SUBORDINATED FINANCIAL INSTITUTION BONDS (ALL CURRENCIES) BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 Citigroup	21	3,997.65	9.9
2 Credit Agricole	12	3,753.19	9.3
3 Barclays	16	3,589.96	8.9
4 JP Morgan	22	3,310.05	8.2
5 Bank of America	19	2,916.60	7.3
6 HSBC	18	2,747.88	6.8
7 UBS	10	2,350.19	5.8
8 Credit Suisse	6	2,127.73	5.3
9 Morgan Stanley	14	1,835.89	4.6
10 Goldman Sachs	10	1,430.75	3.6
Total	61	40,223.00	

Source: Refinitiv

SDC code: J3a

Its junior subordinated 5.7% 2047s, which are callable in 2028, were trading at a dollar price of 116, or a yield of 3.41%. Other similarly rated insurers such as Aegon and AIG had outstanding junior subordinated 30NC10s trading at 4.15% and 4.40%, respectively.

Prudential's senior unsecured ratings are A3/A/A, but the lower position in the capital structure of these subordinated notes gives the new issues Baa1/BBB+/BBB ratings.

The coupon on the 2050s will be reset every five years after the first 10 years of the bonds' life, according to S&P. Both note issues, which have deferrable interest, can also receive equity credit, the ratings agency said.

EUROS

NYKREDIT AT1 REFI PREDICTIONS CLOUDED AS CALL NEARS

As a call date nears, speculation has arisen over whether **NYKREDIT** will soon venture into the market to refinance its Additional Tier 1 debt, with favourable pricing available but the bank's strong capital position causing some doubt.

The Danish bank's deal is the last major currency Additional Tier 1 from a European bank that is still due for call in 2020 and has

ALL SAMURAI BONDS

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total ¥(m)	Share (%)
1 Sumitomo Mitsui	11	106,250.00	33.2
2 Daiwa Securities	11	72,550.00	22.7
3 Nomura	10	55,350.00	17.3
4 Mitsubishi UFJ MS	8	45,350.00	14.2
5 Mizuho	3	20,350.00	6.4
6 Credit Agricole	3	20,350.00	6.4
Total	14	320,200.00	

Excluding equity-related debt.

Source: Refinitiv

SDC code: K11

ALL GLOBAL AND EUROMARKET YEN BONDS

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total ¥(m)	Share (%)
1 Mizuho	7	109,441.67	21.3
2 Sumitomo Mitsui	9	86,559.67	16.8
3 Goldman Sachs	3	76,275.00	14.8
4 JP Morgan	1	48,875.00	9.5
5 Bank of America	1	48,875.00	9.5
6 Mitsubishi UFJ MS	3	33,466.67	6.5
7 Nomura	3	27,833.33	5.4
8 Credit Agricole	3	12,535.00	2.4
9 BNP Paribas	1	12,500.00	2.4
10 MUFG	1	12,500.00	2.4
Total	17	514,628.00	

Excluding equity-related debt. Including preferreds.

Source: Refinitiv

SDC code: K10

not yet been refinanced, according to CreditSights data.

The €500m 6.25% perpetual security, which was issued in 2015, is callable on October 26.

As the European FIG market prepares for its post-summer reopening, market participants are therefore speculating whether Nykredit will take advantage of what appears an attractive market to replace the deal or leave it outstanding.

While a few issuers have extended AT1s this year, the market recovery means the once widely held expectation that non-calls would become much more frequent amid the coronavirus crisis is, as yet, unfounded.

Nykredit, which reported its Q2 results on Thursday, declined to comment on its thinking regarding the call decision.

The 6.25% deal was bid at a cash price of 100.60 at Friday's open, according to Tradeweb figures. Bankers said that price suggests the market is expecting a call.

Bankers said that in the current market conditions, Nykredit would be able to refinance the deal on attractive economic terms, likely landing well inside the outstanding bond's reset spread of 598.9bp.

"I can't see why they wouldn't be able to refinance 100bp inside that," said a DCM banker. "I think 500bp over swaps would be very manageable."

Other bankers agreed, adding that Nykredit's pricing leverage would be increased if any new issue was also sized at €500m – a relatively small size in the AT1 space.

They noted prices in the AT1 market are once again historically attractive, after being hit hard in the volatile early months of the coronavirus crisis.

"Taking a three-year time frame, for example, the levels are pretty good, even though we are in a pandemic," said a syndicate banker.

The AT1 market has ground marginally tighter since the last euro benchmark

ALL INTERNATIONAL YEN BONDS

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total ¥(m)	Share (%)
1 Sumitomo Mitsui	20	192,809.67	23.1
2 Mizuho	10	129,791.67	15.5
3 Nomura	13	83,183.33	10.0
4 Daiwa Securities	12	80,883.33	9.7
5 Mitsubishi UFJ MS	11	78,816.67	9.4
6 Goldman Sachs	3	76,275.00	9.1
7 Bank of America	1	48,875.00	5.9
8 JP Morgan	1	48,875.00	5.9
9 Credit Agricole	6	32,885.00	3.9
10 BNP Paribas	1	12,500.00	1.5
Total	31	834,828.00	

Including all Euro, foreign and global issues. Excluding equity-related debt.

Source: Refinitiv

SDC code: K12

offering on July 22, with the average yield of the Bank of America CoCo index tightening from 4.56% to 4.49% – a long way from the 2020 peak of 7.41% in mid-March.

Another factor that may encourage Nykredit to refinance and call is that the outstanding bond was issued under English law without contractual recognition of bail-in.

The use of English law is being phased out in new AT1 issues from non-UK banks, with deals now typically governed by the issuer's domestic law.

NOT NEEDED

However, observers said some uncertainty remains due to Nykredit's strong capital position, which remains resilient despite a slight dip in its ratios in the second quarter.

At the end of Q2, Nykredit's Total Capital Ratio stood at 23.2% and its Common Equity Tier 1 ratio at 19.2%, down from 24.5% and 20.2%, respectively, at the end of Q1.

Given the strong capital footing, Nykredit could feasibly call the €500m 6.25% AT1 without needing to replace it, bankers said.

"There has to be a strong chance they don't refinance it," said the DCM banker. "I think all options are on the table, given they haven't done it already while markets have been strong and they have very strong CET1. Do they need this AT1?"

Nevertheless, banks have generally erred on the side of capital conservation amid the coronavirus crisis, encouraged by supervisors.

Nykredit reported a pre-tax profit of Dkr1.77bn (US\$280m) in the first half of 2020 and raised its full-year profit forecast from Dkr2.5bn–Dkr3.5bn to Dkr4bn–Dkr5bn.

S&P FLAGS TENSIONS IN PROCEEDS-FOCUSED ESG CAPITAL

Banks and insurers face challenges in squaring the dual roles of ESG capital transactions issued to raise funds for specific projects, S&P has said, suggesting issuers may have greater success focusing on broader business-model strategies.

The concept of green or sustainable bank capital was brought into the spotlight in July by BBVA.

The Spanish bank issued the first ever green Additional Tier 1 transaction. The following week, de Volksbank sold a green Tier 2 issue, the first from a bank in the EU. The proceeds of both deals will be used to fund green assets identified by the banks.

The green senior unsecured and covered bond markets are now well established with common standards. But the marriage of subordinated debt – which can be used to absorb losses through write-down or conversion to equity – with ESG concepts brings new uncertainties.

In a report published on August 12, S&P said there is an “inherent structural tension” between using hybrid transactions to earmark funds for green or social projects, and the role of fungible capital on a bank or insurer’s balance sheet.

As capital resources are also leveraged up to fund issuers’ balance sheets, S&P said it believes investors in green or sustainability-linked hybrids are also indirectly financing other activities, and not just those earmarked in a prospectus.

“Bank and insurance hybrids may be green or sustainability-linked by label (and indeed by issuer intention) but end up being light for specific structural commitments,” said S&P.

“We have seen several caveats and qualifiers regarding ‘use of proceeds’ language and we anticipate this will continue given the inability to ring-fence green capital from non-green (or sustainability-linked from non-sustainability-linked) from a regulatory capital and equity content perspective.”

The rating agency’s arguments are similar to those voiced by some investors in the wake of BBVA’s transaction, who also questioned how the deal could be used to finance green projects at the same time as refinancing a non-green AT1 issue.

S&P added that such bonds may not be sufficient to meet the investment mandate of some green and sustainable investment portfolios.

“Given the challenges regarding specific hybrid terms, we expect that banks and insurers may be better able to tap this asset class based on the green or sustainability credentials of their broader business models than on the necessarily imperfect ring-fencing of individual hybrids,” it said.

The rater said issuers will have to be aware that investors and regulators may have different expectations of how sustainable hybrids could be treated when an issuer runs into trouble.

Such transactions could also open up issuers to new reputational risks, it suggested.

S&P is not the only rating agency to have raised questions over sustainable bank capital transactions. Fitch Ratings said last month it remains unclear how subordinated green bonds would work in a crisis.

Nevertheless, S&P expects the growing demand for sustainable assets to encourage incremental supply of ESG capital transactions from more issuers.

The rater said there is not yet a clear pricing benefit for issuers, but that the green capital trades issued to-date show “a modest degree of investor diversification and noteworthy ESG credential signalling”.

HIGH-YIELD

UNITED STATES

■ SIGNS OF FATIGUE SHOW IN RECORD-BREAKING CORPORATE PRIMARIES

Some early signs of investor fatigue are showing up in what has been an exceptionally busy summer for the US corporate bond primary markets.

While market conditions remained broadly positive for most issuers last week, bankers noted more price sensitivity from investors after a flood of deals in recent weeks.

“The secondary [market] is soft and we expect a slowdown by the weekend,” said one high-yield banker.

As well as heavy supply, investors saw rare outflows of US\$301m from high-yield funds last week in a shift in the technical backdrop.

“Up until recently the size of the calendar was readily absorbed, but this week we have not seen the same level of inflows and we still have a pretty good-sized calendar,” said Ken Monaghan, co-head of high-yield at Amundi Pioneer.

“Supply and demand may not be as balanced as it was in June and July.”

Recent deals in the high-yield primary market suggest some signs of softness.

While three of the five deals priced on Tuesday were upsized and came inside of talk, real estate platform **istar** had to move pricing to 5.50% on its 5.5-year non-call two senior note, wide of talk of 5.375% area.

Some recent deals have also performed poorly in the secondary market.

Cruise line **CARNIVAL'S** second priority 2027 note issue, priced on August 10, had dipped to 97.50 as of Thursday, according to MarketAxess, after being priced at par to

yield 9.875%, inside initial thoughts of 10%–10.25% area.

Canadian waste management company **GFL ENVIRONMENTAL** has also seen its new 3.75% 2025 notes trade down to 99.625 from par after the deal was upsized from US\$600m to US\$750m on Monday and priced inside talk of 3.75%–4%.

HIGH-GRADE SOFTNESS

Signs of weaker conditions are also evident in the investment-grade bond market, where many deals have been landing with negative new issue concessions.

Ten and 30-year bonds recently issued by **ECOLAB** – a provider of hygiene and infection prevention solutions – performed poorly after a strong pricing earlier this month at 99.942 and 99.121 for final spreads of 73bp and 93bp over Treasuries, respectively.

Pricing on the deal was tightened by 32bp and both tranches came with negative new issue concessions, according to IFR calculations.

However, their performance deteriorated in the secondary market as the 1.3% 2031 tranche was last seen on Thursday at 98.18 with a spread of 84bp over and the 2.125% 2050s were trading at 93.65 at 105bp over, according to MarketAxess data.

“There is clearly a softer tone this week than last week, but that doesn’t mean you shouldn’t come with new deals because the market is open and it’s available,” one senior syndicate banker said.

Even so, the substantial amount of supply seen so far in August appears to have filled much of investors’ natural demand, he added.

“Investors are always looking and have cash on hand, but I’d expect them to be more disciplined on price.”

RECORD SUPPLY

These early signs of investor fatigue come ahead of an expected slowdown in activity in the last two weeks of August as bankers and traders head out for vacations.

ALL US\$ DENOMINATED HIGH-YIELD BONDS

BOOKRUNNERS – 1/1/2020 TO DATE

	Managing bank or group	No of issues	Total US\$(m)	Share (%)
1	Bank of America	237	71,347.24	14.7
2	Citigroup	180	65,095.21	13.4
3	Goldman Sachs	182	64,343.81	13.3
4	Barclays	177	63,955.23	13.2
5	Deutsche Bank	153	57,861.68	11.9
6	BNP Paribas	78	49,030.67	10.1
7	Mizuho	56	48,604.10	10.0
8	HSBC	67	48,482.22	10.0
9	Sumitomo Mitsui	32	46,365.40	9.6
10	JP Morgan	238	44,800.40	9.2
	Total	456	485,358.42	

Including US domestics, Euro, foreign, globals. Excluding equity-related debt.
Source: Refinitiv

SDC code: B5

ALL NON-DOLLAR DENOMINATED HIGH-YIELD BONDS

1/1/2020 TO DATE

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	JP Morgan	36	3,576.30	7.5
2	Deutsche Bank	33	3,538.06	7.5
3	Barclays	30	3,271.33	6.9
4	Citigroup	32	3,063.54	6.5
5	BNP Paribas	31	2,879.89	6.1
6	Goldman Sachs	30	2,676.70	5.6
7	Credit Suisse	23	2,654.38	5.6
8	HSBC	30	2,207.46	4.7
9	Bank of America	22	2,171.98	4.6
10	UniCredit	21	2,111.03	4.5
	Total	85	47,401.87	

Excluding equity-related debt.
Source: Refinitiv

SDC code: B6

WHAT IS AVAXHOME?

AVAXHOME-

the biggest Internet portal,
providing you various content:
brand new books, trending movies,
fresh magazines, hot games,
recent software, latest music releases.

Unlimited satisfaction one low price

Cheap constant access to piping hot media

Protect your downloadings from Big brother

Safer, than torrent-trackers

18 years of seamless operation and our users' satisfaction

All languages

Brand new content

One site



AVXLIVE

ICU

AvaxHome - Your End Place

We have everything for all of your needs. Just open <https://avxlive.icu>

It has been an exceptionally busy August for corporate bond markets by historical standards.

High-yield bond markets hit a record for August supply in only the first two weeks of the month. Month-to-date supply as of Thursday had already totalled US\$51.89bn, almost double the previous August record of US\$28.06bn set in 2012.

Investment-grade volumes also set a new August volume record of US\$121bn in what has been the most active year on record for high-grade bond issuance.

And despite some weakness, borrowers are still expected to bring at least some deals through to the end of the month given the potential risks heading into the autumn.

"Even though the market is softer a lot of issuers are thinking about Q4 issues including elections, a second Covid wave and some more volatility because it's been so placid in the last month," said the syndicate banker.

"That's driving people to the market during this unusual period."

▮ SABRE UPSIZES BOND AS INVESTORS SHRUG OFF COVID CONCERNS

Travel booking technology company **SABRE GLBL**, which is exposed to some of the worst hit corners of the travel industry, turned to the high-yield bond market on Thursday as part of a series of transactions this week aimed at firming up liquidity.

Investors appeared to shrug off any concerns over the bruising travel environment and the company's ability to generate free cashflow after Sabre upsized the five-year non-call two senior secured note to US\$850m from US\$300m.

Leads also landed pricing on the Ba3/B rated notes at 7.375%, inside price talk of 7.50% area.

"I think what is giving accounts comfort is the liquidity position," said one high-yield investor, noting order books reached US\$3.3bn.

After raising US\$550m across a common stock and mandatory convertible note on Wednesday (see Top News for more), with the bond deal and other financings the company said it expected to have 20 months of liquidity even in a zero booking environment.

"Bookings are still down materially versus last year, but they are slowly improving so they are not in a zero booking environment – so it seems the 20-month runway is a conservative estimate," the investor said.

Still, the company's reliance on travel demand and high leverage were cause for concern.

"Anything travel related is at the epicentre (of the pandemic) and the deal is

pricing with that in mind relative to the market," said a second high-yield investor.

"They have adequate liquidity to get them through to a vaccine, but the question is their earnings power and run rate leverage beyond that," he said.

S&P downgraded the company's corporate rating from B+ to B on Thursday because it continues to face significantly reduced booking volumes which will weigh on its ability to reduce its high leverage.

Sabre derived the majority of its pre-pandemic travel network revenue from corporate air travel and higher-margin international air travel traffic, which has been the most vulnerable to the pandemic, S&P said.

"We expect the company's eventual recovery from the pandemic will lag that of the overall global travel industry," the ratings agency said.

Sabre was last in the high-yield market in April when it priced a 9.25% 2025 senior secured that was trading at 107.75 to yield 7.23% on Wednesday, according to MarketAxess.

With the two secured bonds the company is understood to have exhausted its secured debt capacity.

The new secured bond comes as part of a US\$1.936bn financing package the company is issuing to improve the company's debt maturity profile and extend its liquidity runway.

As well as the US\$550m sale of common stock and mandatory convertible bonds on Wednesday, it is also raising a new extended US\$400m extended revolving facility and a US\$136m extended term loan A.

The US\$800m bond was originally aimed at repaying US\$300m of its Term Loan A. The additional proceeds from the upsized deal will be used to redeem the 5.375% senior notes due 2023 and other secured indebtedness.

Sabre said it would use proceeds from the financing package to put US\$523m of cash on the balance sheet.

With the net proceeds from the offerings, it anticipates a liquidity position of US\$1.6bn.

The company estimates it will burn around US\$80m of cash a month in a zero booking environment, which gives it an expected liquidity runway of at least 20 months.

But the company is expected to have a difficult time bringing leverage down from its current level of over 10x, given its reported Ebitda losses and lack of free cashflow generation.

It reported losses of US\$444m in the second quarter and S&P warned it may not generate free cashflow again until the second half of 2021.

"Sabre has strengthened its cash balance and extended credit facility maturities to withstand a prolonged period of distress. However, its level of gross outstanding debt has increased as well," said S&P.

Bookrunners were *Bank of America*, *Morgan Stanley*, *Mizuho*, *Wells*, *PNC*, *Deutsche Bank*, *Goldman Sachs*, *MUFG*, *Citigroup* and *ING*.

▮ JUNK ENERGY NAMES ISSUE BONDS AS OIL AND GAS PRICES RALLY

A pair of energy exploration and production companies hit the high-yield bond market on Tuesday as the price of oil and gas climbed to their highest levels in about five months.

Hopes of an economic recovery and a pullback in supply have helped drive a recovery in commodity prices, boosting such issuers' confidence in capital markets that have offered only slim windows of opportunity for energy names this year.

Texas-based E&P issuer **RANGE RESOURCES** priced a US\$300m add-on to its 9.25% 2026 senior unsecured notes, which will fund a tender offer for some of the US\$1.316bn in outstanding 2021, 2022 and 2023 notes.

The deal was upsized from US\$200m with pricing set at par, at the high end of price talk. The deal carries unchanged B3/B+ ratings.

Appalachian-based natural gas exploration company **SOUTHWESTERN ENERGY** also launched a US\$350m eight-year non-call three senior unsecured note, which follows its announcement the week before that it would acquire energy producer Montage Resources in an all-stock deal.

Leads brought pricing in on the Ba3/BB– rated deal to 8.375% from price talk of 8.50%–8.75%.

Last week's deals follow the bond offerings from the previous week from Caa1/B–/B+ rated oil and gas producer **COMSTOCK RESOURCES**, Ba3/BB rated midstream services provider **TARGA RESOURCES**, and Ba2/BB+/BB+ rated fallen angel **OCCIDENTAL PETROLEUM**.

This came after West Texas Intermediate oil prices climbed above US\$42 to hit their highest level since early March. The price of Henry Hub natural gas also jumped to US\$2.19 per million BTU, the first time it has risen above US\$2 since February, according to Refinitiv data.

"That is helping investor confidence," said an energy high-yield banker.

After heavy losses earlier in the year, the energy portion of the US high-yield index has outperformed over the past month.

According to ICE Bank of America data, energy high-yield bonds have delivered 3.07% of total returns in the past month, while the broader high-yield index has provided total returns of 2.05%.

“There is a survivor bias as some of the more marginal credits within the industry have been washed out through bankruptcy,” said Ken Monaghan, co-director of high-yield at Amundi Pioneer.

“On the other side, there’s a little bit more stability as the supply-demand fears that roiled the market earlier in the year are seemingly behind us for now.”

Range Resources was raising cash to help tackle a heavy maturity schedule over the next couple of years.

The company has US\$1.316bn of debt coming due between 2021 and 2023, according to a company presentation.

The company said on August 3 it had achieved US\$1.3bn of debt reduction since mid-2018, helped by the sale of assets in Louisiana for US\$245m in the third quarter this year.

Despite the recent jump in gas prices, Range will not increase production levels and will instead use excess cashflow to reduce debt, Jeffrey Ventura, president and CEO of Range Resources said on the company’s August 4 second-quarter earnings call.

“This is not a market that’s incentivising any growth and Range has no plans to grow and add supply to the market,” he said.

The 2026 notes Range tapped had rallied from a price of 90 on June 29 to trade at 101.90 for a yield of 7.8% on August 15, according to MarketAxess.

The bonds were priced in January this year and dropped as low as 50 during the market sell-off in March.

Southwestern Energy, meanwhile, tapped the high-yield market to take down debt included in its recent US\$875m all-stock acquisition of Montage Resources.

The US\$350m deal will be used alongside the US\$158m proceeds from a stock sale the week before to fund the redemption of the US\$510m outstanding on Montage’s 8.875% senior notes due 2023.

The acquisition of Montage will make Southwestern Energy the third-largest producer in Appalachia, increasing its production and reserve base, according to S&P.

It will also provide an estimated US\$30m of cost-savings, reduce leverage and increase free cashflow in 2021 and beyond, the rating agency said.

Southwestern has a 7.75% 2027 senior note that was trading on Monday at 98.625 to yield 8% according to MarketAxess.

▶ CANADA’S GFL TAPS US BOND MARKET TO FUND ANOTHER ACQUISITION

Canada’s **GFL ENVIRONMENTAL** dived into a receptive US high-yield bond market on Monday as the waste management company

sought to garner cheap financing for yet another debt-driven acquisition.

Investors appeared to have taken a shine to the credit, which upsized the senior secured five-year non-call two bond to US\$750m from US\$600m and priced the deal at 3.75%, the tight end of price talk.

Secondary performance suffered a little after the upsize. The bonds dipped below par soon after pricing and were last seen at 99.75 on Thursday.

GFL was last in the market in April, when it priced another five-year non-call two senior secured note at 4.25%. Those 2025 notes were last trading before the new deal was announced at a cash price of around 102.50 for a yield of just over 3.5%, according to MarketAxess.

The new GFL notes carry Ba3/BB– ratings against unsecured ratings of B3/B+.

Proceeds will form part of the financing for two recent acquisitions, according to Moody’s, as the waste company continues to grow its footprint in the US and Canada through debt-funded acquisitions.

On August 12, GFL announced the acquisition of WCA Waste Corporation from an affiliate of Macquarie Infrastructure Partners II for a purchase price of US\$1.212bn.

It followed an US\$835m acquisition announced in June for a portfolio of vertically integrated solid waste collection, transfer, recycling and disposal assets in the US, which were being divested after the merger of Advanced Disposal Services and Waste Management.

The two acquisitions are expected to close in the second half of the year and should increase annual revenue and Ebitda by around 25%, according to S&P.

GFL said on August 12 it would fund the WCA acquisition with cash on hand, capacity under a revolving credit facility and the net proceeds from the issuance of US\$600m of Series A convertible preferred shares to affiliates of HPS Investment Partners.

“The new equity will help us maintain our leverage within expected levels,” said Patrick Dovigi, founder and chief executive officer of GFL.

Moody’s said that the transactions were expected to increase the company’s leverage for 2020 to 4.8x from 4.6x.

“GFL’s financing plan is consistent with our view that the company should continue to expand its operating breadth through primarily debt-funded acquisitions,” said S&P.

The company has more than tripled its size by revenue over the past couple of years through acquisitions, according to S&P.

While this presents some integration risks, the environmental services industry

broadly has low risk characteristics owing to its essential nature and high revenue visibility.

“GFL has had a successful history of completing sizeable acquisitions to support its growth strategy, as the company has completed over 100 acquisitions since 2007,” Moody’s said in a recent report.

Bookrunners on the GFL deal were Barclays, Bank of Montreal, Goldman Sachs, Royal Bank of Canada, Scotiabank and CIBC.

EUROPE/MIDDLE EAST/AFRICA

▶ NORWEGIAN SHIPPING TRIO REOPEN NORDIC BOND MARKET

Three Norwegian shipping-related companies hit the screens last week as the Nordic issuers sprang back into action.

In addition, toll road operator **VEGFINANS INNLANDET** was active on Wednesday through a Nkr1.1bn (US\$123m) dual-tranche transaction.

The three shipping-related companies were gas transporter **TEEKAY LNG PARTNERS**, which priced a Nkr1bn senior unsecured five-year floating-rate bond, **ALTERA**, which added US\$75m to its October 2024 green issue, and **WALLENIS WILHELMSEN**, which announced a mandate.

“It has been quiet over the summer but the Nordic vacation period is now coming to an end and the market is opening,” said Jan Rune Steinsland, CFO at Altera.

Norwegian shipping firm Altera Shuttle Tankers, previously known as Teekay Offshore Partners, tapped its senior unsecured green bonds due October 2024 for US\$75m, the top end of indications. The increase priced at 96.50, the middle of 96–97 guidance. The outstanding paper, which pays a coupon of 650bp over three-month Libor, had been bid at 98 when the increase was announced, according to MarketAxess.

Leads DNB Markets, Nordea, Danske Bank and SEB held investor calls to market the deal on Thursday.

Money raised from Altera’s tap will, like the initial fundraising, part-finance four new energy-efficient shuttle tankers, specialist vessels that transport oil from offshore fields instead of pipelines, said Steinsland.

Altera may also consider a conditional buyback of its 7.125% senior unsecured bonds due August 2022 in conjunction with the new issue. Those bonds were quoted at 101 bid, according to MarketAxess data.

The company, an operator of oil tankers headquartered in Bermuda, initially raised US\$125m through the October 2024s last year.

That was US\$25m less than the minimum the company was initially aiming for and much lower than the US\$200m maximum target leads had initially telegraphed.

QUESTIONS ASKED

The original deal was dogged by questions over whether the green label was suitable for a bond that would help finance oil tankers.

And in January, the company's offices in Norway were raided by the National Authority for Investigation and Prosecution of Economic and Environmental Crime (Okokrim) on suspicion that it illegally disposed of a shuttle tanker in South Asian scrapyards.

"Having reviewed relevant materials together with its advisors, the partnership continues to believe it acted in accordance with the relevant rules and regulations and denies the alleged violations," the company said in its second-quarter earnings release, published on August 6.

"The partnership is continuing to cooperate with authorities in respect of this matter. There are no updates on this case in the second quarter of 2020."

Altera said that it did not experience any material business interruptions or financial impact as a result of the Covid-19 pandemic in the first quarter.

However, the company added that the operational environment continues to be challenging and its results may be adversely affected under a prolonged pandemic.

"The main Covid-19-related challenge that we, and the industry, are facing, is to get our seafarers safely on and off our vessels and back home," said Steinsland.

In the Norwegian krone market, Altera's previous parent company, Teekay LNG, landed its September 2025s at 515bp over three-month Nibor, compared to initial price thoughts of 525bp–550bp. The deal was upsized from Nkr750m, which was telegraphed by leads as a minimum size.

ALL EUROPEAN HIGH-YIELD ISSUERS

1/1/2020 TO DATE

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 Citigroup	41	5,485.79	8.6
2 Deutsche Bank	36	4,726.68	7.4
3 Barclays	34	4,613.99	7.2
4 JP Morgan	41	4,551.79	7.1
5 BNP Paribas	36	3,822.77	6.0
6 Credit Suisse	27	3,694.07	5.8
7 Goldman Sachs	32	3,484.32	5.4
8 Bank of America	23	2,638.39	4.1
9 Credit Agricole	17	2,515.68	3.9
10 HSBC	29	2,482.01	3.9
Total	95	63,990.53	

Excluding equity-related debt.

Source: Refinitiv

SDC code: B06c

Global coordinators were DNB Markets and Nordea.

Meanwhile, shipping company Wallenius Wilhelmsen hired Danske Bank, DNB Markets, Nordea, SEB and Swedbank as lead managers for a potential four-year Norwegian krone-denominated senior unsecured floating-rate note.

The company will kick off investor calls for the deal on August 24.

Wallenius has been sharply impacted by the Covid-19 pandemic and measures taken to control its spread, said the company in its second-quarter earnings release.

The company reported total income of US\$606m for the quarter, down 40% compared to the same period last year.

Vegfinans Innlandet printed a Nkr600m three-year FRN at 33bp over three-month Nibor and a Nkr500m five-year FRN at plus 45bp. Both tranches priced at the mid-point of their marketing levels.

ASIA-PACIFIC

SOFTBANK DOLLAR BONDS HIT RECORD

SOFTBANK GROUP's US dollar and euro bonds jumped after the company said it would buy back up to US\$4.7bn of its foreign bonds.

CFO Yoshimitsu Goto unveiled a plan for an international tender offer on August 11 in a briefing on the group's Q1 results, when asked by CEO Masayoshi Son to comment on its latest domestic bond tender.

SoftBank Group, rated BB+/A– by S&P/JCR, had announced in June that it would buy up to ¥200bn (US\$1.9bn) of its existing corporate bonds, but it had only bought ¥167.6bn by July 22.

"For our domestic bonds, we purchased [about] ¥160bn against the ¥200bn order, and for our foreign bonds we will order [banks] to make a tender offer for probably ¥400bn to ¥500bn [equivalent]," Goto said

ALL ASIAN HIGH-YIELD ISSUERS

1/1/2020 TO DATE

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 Credit Suisse	44	3,538.13	8.7
2 UBS	39	2,775.73	6.9
3 Haitong Secs	58	2,168.23	5.4
4 Deutsche Bank	39	2,105.80	5.2
5 Citic	38	2,074.02	5.1
6 Bank of America	15	2,013.50	5.0
7 Goldman Sachs	20	1,898.31	4.7
8 Guotai Junan Secs	45	1,890.63	4.7
9 Morgan Stanley	21	1,540.97	3.8
10 Bank of China	25	1,478.56	3.7
Total	104	40,447.68	

Excluding equity-related debt.

Source: Refinitiv

SDC code: B06d

when asked by his boss, who was talking about SoftBank's efforts to reduce debt.

SoftBank's 6.125% April 2025 US dollar bonds were bid at a record 111.25 on August 18 for a 3.364% yield, up 2.86 points from a yield of over 4% on August 10, according to Refinitiv prices. The 4.5% April 2025 euro bonds jumped 3.1 points in the same period, quoted at a 2.642% bid or 107.775 last Tuesday from 3.351% on August 10.

SoftBank announced plans to monetise up to ¥4.5trn of its vast portfolio at the height of the Covid-19 sell-off in March, pledging to use the proceeds to buy back shares, bonds and increase its cash reserves. Investors have pushed up the price of its bonds since then, complicating its buyback plans.

"We are out in the market to buy our bonds, but many of our investors want to hold onto them," Son said, suggesting that the group's cash balance remains high because it missed the tender offer target.

To make use of the excess cash with big bond redemptions a few years away, Son also announced a new investment management subsidiary.

The subsidiary, funded 67% by SoftBank Group and 33% by Son himself, will primarily buy highly liquid public listed stocks with call and put options for hedging purposes. To test the concept, the new unit has already bought shares in about 30 companies, mainly tech stocks including Amazon, Apple, and Facebook, Son revealed.

STRUCTURED FINANCE

EMEA MBS

CASH PRICES FOR CHESHIRE 2020-1

Issue prices are available for CHESHIRE 2020-1, the UK non-conforming RMBS that was pre-placed by sponsor Citigroup earlier this month.

All tranches on the deal, which refinances 2015 RMBS Dukinfield from CarVal Investors, were priced below par.

That should be no surprise – the deal's Class A was earlier shown with a coupon of Sonia plus 90bp, a much lower face coupon than similar deals over the previous six weeks, which typically sold Triple A paper with margins in the 125bp–145bp range.

The prospectus shows the Class A from Cheshire 2020-1 was priced at a cash price of 98.851.

Prices for the B/C/D/E/F Tranches were 98.565, 99.525, 98.14, 94.602 and 87.225. The Class Z was 37.124.

NEW ASSET-BACKED SUMMARY DETAILS: WEEK ENDING 21/8/2020

Issuer	Amount (m)	WAL	Coupon (%)	Bookrunner(s)	Rating	Asset type
AQFIT 2020-A	US\$316.23	2.01	1.900	Keybanc/Goldman Sachs/Credit Suisse	A2/NR/NR	ABS
AQFIT 2020-A	US\$32.43	4.94	2.790	Keybanc/Goldman Sachs/Credit Suisse	A3/NR/NR	ABS
AQFIT 2020-A	US\$45.72	4.94	3.970	Keybanc/Goldman Sachs/Credit Suisse	Baa2/NR/NR	ABS
AQFIT 2020-A	US\$36.49	4.94	7.150	Keybanc/Goldman Sachs/Credit Suisse	Ba2/NR/NR	ABS
MOFT 2020-B6	US\$18.43	9.95	S+265bp	Deutsche Bank/JP Morgan	NR/NR/NR	RMBS
MOFT 2020-B6	US\$21.85	9.95	S+355bp	Deutsche Bank/JP Morgan	NR/NR/NR	RMBS
MOFT 2020-B6	US\$20.9	9.95	S+440bp	Deutsche Bank/JP Morgan	NR/NR/NR	RMBS
MOFT 2020-B6	US\$2.85	9.95	–	Deutsche Bank/JP Morgan	NR/NR/NR	RMBS
NRART 2020-T1	US\$523.226	2.97	1.426	Barclays/Credit Suisse/Goldman Sachs/JP Morgan	NR/AAA/NR	RMBS
NRART 2020-T1	US\$14.186	2.97	1.823	Barclays/Credit Suisse/Goldman Sachs/JP Morgan	NR/AA/NR	RMBS
NRART 2020-T1	US\$14.291	2.97	2.269	Barclays/Credit Suisse/Goldman Sachs/JP Morgan	NR/A/NR	RMBS
NRART 2020-T1	US\$6.646	2.97	5.467	Barclays/Credit Suisse/Goldman Sachs/JP Morgan	NR/BB/NR	RMBS
NRART 2020-T1	US\$41.651	2.97	3.011	Barclays/Credit Suisse/Goldman Sachs/JP Morgan	NR/BBB/NR	RMBS
Nelnet Student Loan Tr 2020-4	US\$191.3	5.90	IS+105bp	RBC CM	Aaa/NR/NR	ABS
NRMLT 2020-RPL2	US\$232.360	2.43	3.578	Goldman Sachs/Amherst	NR/NR/NR	RMBS
OMW 2020-OMW	US\$807.9	7.03	2.130	Deutsche Bank/Wells Fargo/Citi/Barclays/JP Morgan	Aaa/NR/NR	CMBS
OMW 2020-OMW	US\$195.3	7.03	2.126	Deutsche Bank/Wells Fargo/Citi/Barclays/JP Morgan	Aa3/NR/NR	CMBS
OMW 2020-OMW	US\$153.1	7.03	2.626	Deutsche Bank/Wells Fargo/Citi/Barclays/JP Morgan	A3/NR/NR	CMBS
OMW 2020-OMW	US\$161.4	7.03	3.076	Deutsche Bank/Wells Fargo/Citi/Barclays/JP Morgan	Baa3/NR/NR	CMBS
Triton Container Fin 2020-1	US\$298.2	5.29	2.090	Wells Fargo/BofA	NR/A/NR	ABS
Triton Container Fin 2020-1	US\$14.7	5.29	3.820	Wells Fargo/BofA	NR/BBB/NR	ABS
WFCM 2020-C57	US\$23.372	2.93	0.903	Wells Fargo/UBS	Aaa/NR/AAA	CMBS
WFCM 2020-C57	US\$38.042	7.20	1.914	Wells Fargo/UBS	Aaa/NR/AAA	CMBS
WFCM 2020-C57	US\$160	9.47	1.864	Wells Fargo/UBS	Aaa/NR/AAA	CMBS
WFCM 2020-C57	US\$168.161	9.64	2.118	Wells Fargo/UBS	Aaa/NR/AAA	CMBS
WFCM 2020-C57	US\$28.727	9.97	2.672	Wells Fargo/UBS	Aa2/NR/AA+	CMBS
WFCM 2020-C57	US\$15.415	9.97	2.975	Wells Fargo/UBS	NR/NR/AA-	CMBS
WFCM 2020-C57	US\$30.83	9.97	4.158	Wells Fargo/UBS	NR/NR/A-	CMBS

CASTELL 2020-1 FILED WITH COMPANIES HOUSE

A new SPV called **CASTELL 2020-1** has been filed with Companies House. The name suggests its will be a repeat RMBS from second-lien mortgage specialist **OPTIMUM CREDIT**, which is owned by Pepper Group.

Optimum Credit last came to market in September 2019 with the third securitisation of prime and near-prime second-lien mortgages from its Castell programme.

Castell 2019-1 was lead-managed by Citigroup and NatWest Markets and sold six tranches of rated notes, topped by a £196.592m 1.72-year Triple A Tranche paying 128bp over Sonia.

EMEA ABS

MY MONEY READIES FIRST CONSUMER LOAN ABS

MY MONEY BANK has structured its first consumer loan ABS, the €332m **FCT EMERALDONE**. It is not known if the deal, which is arranged by *Credit Agricole*, is being placed with investors, but no marketing has been seen.

My Money Bank, formerly GE Money Bank France, but owned by Cerberus since

2017, previously used the SapphireOne banner to securitise auto loans to borrowers in the French overseas territories of Guadeloupe, Martinique, French Guiana and La Reunion.

Some 32% of the portfolio in the new ABS comprises personal loans to borrowers in those four jurisdictions. The rest of the portfolio is made up of debt consolidation loans to borrowers in mainland France.

According to Moody's, the SPV will issue a €268.5m Class A, rated Aa1 and paying a fixed coupon of 0.68%. There is also a €63.535m unrated Class B carrying a 2.8% coupon.

The €326.0m portfolio holds 17,218 loans and revolves for two years. Loans with Covid-19 payment holidays make up 1.1%.

The closing date is August 31.

AUGUST BWIC VOLUMES PLUMMET – JP MORGAN

Just €34.8m of securities (excluding CLOs) have traded in BWICs over the first two weeks of August, according to JP Morgan data, demonstrating the extent of the summer shutdown.

The weekly average traded BWIC volume this year is €210m.

The primary market is also on holiday, with no signs of any deals being shown to

investors. In the UK, most of those specialist lenders who needed to tap the RMBS market for funding did so in June or July.

And given origination volumes were cut during the UK lockdown that started in March, it will probably take several months before they build up enough new loans to return to market.

JP Morgan data show €29bn distributed securitised issuance (excluding CLOs) this year compared with between €40bn and €47bn at this stage in each of the previous three years. The full year-end figures are €74bn in 2019, €76bn in 2018 and €67bn in 2017.

AMIGO EXTENDS WAIVER ON ABS FACILITY WITH RBC

The UK's largest guarantor loan provider **AMIGO HOLDINGS** has again extended the waiver on performance triggers for its securitisation facility with RBC, while reducing the size of the facility by £50m.

Amigo's guarantor loans allow third-parties, such as a friends or family members, to guarantee loans to borrowers with poor credit histories.

In March it stopped new lending to customers, with the exception of key workers, and offered payment holidays to existing borrowers.

Amigo then agreed a temporary waiver of performance triggers on its ABS facility with RBC and went on to extend that waiver to this month.

The new extension runs to December. The company said the extension “allows both Amigo and its lenders the opportunity to fully understand the impact of Covid-19 on the business, whilst maintaining the existing facility.”

It says it has cut the size of the facility to £250m from £300m, reflecting lower funding requirements while lending is paused.

EMEA CLO

DEER PARK CLO UPSIZED

BLACKSTONE/GSO was set to price its upsized CLO new issue, **DEER PARK CLO**, on Friday afternoon. The deal was increased to €343.9m from €294.8m.

Deutsche Bank is arranger and lead manager, and the deal will be Deutsche's first European CLO since the pandemic began. According to IFR data, the last European CLO print it managed was a reset of Holland Park CLO, for the same manager, in November last year.

All rated tranches on the new deal were subject on Thursday, with the Triple A (S&P/Fitch/KBRA) matching the three-month Euribor plus 145bp Triple A coupon on the previous CLO, Contego CLO VII priced three weeks ago for Five Arrows.

Those Deer Park senior notes are the Class A1. The deal is structured with two AA/AA/AA rated Class A2s, one an FRN and the other fixed. The FRN is at 200bp, while the A/A notes are at 300bp and the BBB/BBB-/BBB is at 400bp. The Double A, Single A and Triple B tranches from Contego came at 210bp, 280bp and 380bp.

Contego sold its BB-/BB- paper at a 670bp discount margin and the B-/B- tranche at 875bp.

Deer Park is set to price its BB/BB- Class D at 675bp and its B/B- Class E at 925bp.

US MBS

CMBS DEAL TESTS APPETITE FOR US TROPHY OFFICES

BROOKFIELD PROPERTIES last Monday prepared a US\$1.43bn CMBS transaction backed by a high-end office tower in New York City, testing demand for this type of paper at a time when many workers are still working from home during the pandemic.

This single-asset, single-borrower offering, **OMW 2020-OMW**, is secured by a US\$1.5bn seven-year, fixed-rate interest-only mortgage on a 70-storey Class A building in midtown Manhattan. The tower is jointly owned by Brookfield and the Qatar Investment Authority, Qatar's sovereign wealth fund.

“The higher quality buildings in gateway cities will have value. Aggregate demand will dip, but lending to a trophy office building with a long lease to a strong tenant should remain solid,” said Rob Allard, chief investment officer and head of Rothesay Asset Management NA.

The “One Manhattan West” building's biggest tenants include accounting firm Ernst and Young, law firm Skadden Arps, Accenture and the National Hockey League.

The average remaining term of the building leases was 17.5 years as of August 1, Moody's said.

The Brookfield deal – the largest CMBS issue since the pandemic, according to IFR data – will refinance existing construction debt on the building and bring US\$335.6m in cash back to Brookfield and QIA, Moody's said in a pre-sale report on the deal.

With an appraised value of US\$2.53bn, the Brookfield and QIA joint venture would have implied equity of US\$725m after the transaction closes, Moody's said.

Deutsche Bank, Wells Fargo, Citigroup, Barclays, and JP Morgan were the deal's bookrunners and lead underwriters.

FOUNDATION STURDY

Since the Covid-19 crisis, CMBS deals that contain high levels of office exposure have fared well on expectations that most tenants will stick with their long-term leases and that even those that were granted rent relief will pay again soon.

“Working from home has been viable, but it doesn't replace the dynamics that go on in the office,” said Alan Todd, head of CMBS research at BofA Global Research. “People will come back to the office eventually.”

Moody's noted that One Manhattan West is open, but most tenants have yet to formally return as part of New York's phased reopening process.

The rise in office loan delinquencies has been muted, holding at 1.92% in July – unchanged from June, Fitch said.

Still, the outlook for office space would deteriorate if a Covid-19 vaccine was not available and/or the pandemic was not under control in the near future, analysts and investors said.

Meanwhile, spreads on SASB office issues in the secondary market have retraced from their wides during the market rout in March as investor demand has emerged.

Triple A rated SASB office spreads widened to 350bp over swaps in March before narrowing to 105bp earlier this week, but were still 17bp wider on the year, Wells Fargo data showed

Triple B SASB office spreads have lagged their higher-rated counterparts. They were last quoted at 240bp, some 90bp wider on the year but narrower than a peak of 550bp in March.

Spreads on the Brookfield SASB deal came in wider than these levels. Its Triple A rated notes were priced at a spread of 120bp over swaps for a yield of 1.6763%, while the Triple B paper cleared at a spread of swaps plus 260bp, yielding 3.0763%.

Despite concerns about the office sector, top-tier office towers should have little trouble attracting capital in the near term.

“We are wary on office. But the larger corporations will still have demand for large office space in key central locations,” Rothesay's Allard said.

BORROWERS WRING OUT CASH WITH US CMBS DEALS

Ultra-low rates and ongoing demand for commercial mortgage-backed securities have borrowers hitting the CMBS market to wring out extra cash from equity accumulated in US commercial properties.

Last week, **BROOKFIELD PROPERTIES** and **JAY PAUL CO** were preparing separate CMBS deals that will allow them to extract cash by refinancing existing mortgages on top-tier office properties.

Brookfield's US\$1.43bn single-asset, single-borrower offering, **OMW 2020-OMW**, earmarked US\$335.6m of cash back for Brookfield and Qatar's sovereign wealth fund – Qatar Investment Authority – which jointly own the new One Manhattan West Class A office tower in New York City that secures the deal.

Private developer Jay Paul looked to pull out US\$57.2m in cash through a US\$67.0m SASB transaction, **MOFT 2020-B6**, backed by portions of US\$200m in senior debt and US\$49m in a mezzanine loan on a building leased to Google in California's Silicon Valley.

The extraction of equity from these properties come at a time when CMBS issuance costs have fallen.

Spreads on Triple A office-only CMBS paper in the secondary market have narrowed to 105bp over swaps from a wide of 350bp seen in March, while Single A office SASB spreads have tightened to 195bp from 450bp, Wells Fargo data showed.

Spreads for last week's office SASB offerings were priced wider than current levels, perhaps reflecting the perceived risk from the cash extraction.

The Triple A tranche in the Brookfield issue came in at a spread of 120bp, while the Single A tranche in the Jay Paul transaction cleared at 265bp.

These two office deals were priced at a time when there are concerns about declining demand for office space in large US cities in the wake of the Covid-19 pandemic.

Most tenants in the One Manhattan West tower have not returned since the health crisis, Moody's said.

Google, which is allowing its employees to work at home until July 2021, has not moved into the Moffett campus building being securitised in the Jay Paul transaction and has not started paying rent, DBRS noted.

SKIN IN THE GAME

While sponsors may like such deals, investors are less thrilled as they effectively reduce the equity stake that has been built up in the properties.

This can reduce the sponsors' incentive to support a property in times of stress, according to a Moody's report.

"They can imply less 'skin in the game' on behalf of the borrower and may significantly lower borrower's motivation if we do see broad market value declines," a buy-side analyst said of cash-out CMBS deals.

Even so, that view did not curb investor appetite for a US\$324m issue backed by a portfolio of self-storage facilities two weeks ago, **MERIT 2020-HILL**, through which Merit Hill and Centerbridge Partners will receive US\$25m in cash.

Moody's estimated Merit and Centerbridge will still have implied equity of US\$188m at loan closing based on the properties' appraised value of US\$569m.

While the cash-out aspect of the Merit deal is a risk, the move is mitigated by its length of ownership, as well as local and continued capital investment, Moody's said in a pre-sale report.

With Jay Paul's CMBS issue, the developer would see its equity on the Google-leased building in Moffett Park fall to US\$84m at the deal's closing.

The developer has spent US\$171m on the property, which has an appraised value of US\$333m, Morningstar DBRS said in a pre-sale report.

As for the Brookfield and QIA CMBS offering, the sponsors would have a US\$725m equity stake in the One Manhattan West office tower based on an appraised value of US\$2.53bn.

"It all depends at which price a borrower bought the building versus the price today and the level of rates," said Alan Todd, head of CMBS research at BofA Global Research.

"It is feasible that a borrower is just locking in a low rate of interest and happens to also be cashing out."

US ABS

TRITON FINDS SMOOTH SAILING IN ABS RETURN

TRITON INTERNATIONAL clinched cheap financing last Monday in its return to the US asset-backed securities market, amid signs that international shipping demand is recovering from its plunge due to the Covid-19 pandemic earlier this year.

The freight container lessor priced a US\$312.9m two-part securitisation of container leases, **TCF 2020-1**, which was its first ABS offering since a US\$368m offering in June 2018.

The Triton issue arrived nearly two weeks after **TEXTAINER** priced the year's first container lease ABS transaction with a US\$450m issue, **TMCL 2020-1**.

The Triton deal's US\$298.2m A Class note, which is rated A by S&P, was 12 times oversubscribed, while the US\$14.7m BBB rated B Class was about seven times oversubscribed, according to a source familiar with the deal.

In addition to persistent technical demand for ABS, Triton was able to fetch cheaper borrowing costs than Textainer as it is considered the industry's premier player, Wells Fargo analysts said.

"We view Triton as best in class, given their scale and historical performance," Wells Fargo analysts wrote in a research note on Monday.

The latest senior Triton note cleared at a yield of 2.11%, compared with a 2.75% yield for the similar tranche in the Textainer deal.

The junior Triton paper priced at a 3.86% yield, down from 5.00% yield from the comparable note in the Textainer issue.

The two deals take year-to-date container lease ABS issuance to \$762.9m, matching the annual total set in 2019, according to IFR data.

One more container lease deal may be soon on its way. **SEACUBE CONTAINER LEASING** last Wednesday put in a 15G filing for its first offering since it priced a US\$375m issue in May 2019.

In July, Triton CEO Brian Sondey said he saw improving demand for shipping containers in step with a pick-up in trading activity due to easing restrictions in Europe and the United States.

"While our visibility is more limited than usual, we expect our operating trends will improve in the third quarter as containers recently booked on lease are picked up, and we expect our adjusted net income per share will increase from the second quarter to the third quarter of 2020," Sondey said when Triton released its second-quarter results.

For the second quarter, Triton posted a GAAP net income of US\$60.1m, down from US\$67.2m in the first quarter and US\$84.1m in the second quarter of 2019.

"Reduced levels of capital spending continues to support a relatively stable supply," S&P said of the container leasing market in a pre-sale report on the Triton deal.

S&P cautioned that an economic deterioration could reduce Triton's revenue because leased containers are deployed worldwide.

Wells Fargo, Bank of America, PNC and Truist were the deal's joint book managers.

STACK READIES ABS RETURN WITH DATA CENTRE DEAL

STACK INFRASTRUCTURE is preparing its first foray into the US asset-backed securities market in 2020 with a US\$300m deal backed by lease payments on data centres it operates in seven US states.

Stack's **SDC 2020-1** is a single-class offering with a weighted average life of five years. S&P is expected to assign the note with an A- rating and the deal is expected to price this week.

The privately held company last tapped the ABS market in November 2019 with a US\$225m issue, **SDIC 2019-2**.

Demand for Stack's latest ABS issue is expected to be solid as the company is in a fast-growth industry and has strong corporate tenants at its facilities that house computer servers and network equipment, according to a source familiar with the deal.

Stack has said it used proceeds from its securitisation to finance its growth. In June, it said it planned to construct a data centre in Phoenix.

Initial price thoughts on the latest Stack note is in a yield range of 2.50%-2.75%, another source familiar with the deal said.

In Stack's previous deal, the five-year paper cleared at a yield of 3.099% and a spread of 145bp over swaps.

The latest Stack issue is just the second data centre ABS of the year and would lift the year-to-date issuance in this esoteric sector to US\$1.05bn, IFR data shows.

In April, **SABEY** priced a five-year data centre-backed note at a yield of 4.0% and a 7.48-year paper at a yield of 4.5%, in a deal totalling US\$750m.

Guggenheim is the sole structurer and book manager.

SANTANDER US AUTO DEAL MEETS INVESTOR CAUTION

SANTANDER last Tuesday priced a US\$580m auto loan transaction at spreads wider than seen in recent prime auto issues as some

investors were wary about the deal's relatively high level of long-dated loans and expected losses.

"This is not a standard prime auto issue. People look at it with some caution," one fund manager said.

The US\$60.84m Triple A rated note carried a 2.58-year weighted average life and priced at 32bp over swaps.

This was wider than the 22bp spread on a similar tranche in **GENERAL MOTOR's** US\$1.60bn prime auto offering, **GM CAR 2020-3** and the 24bp spread on a comparable class in **WORLD OMNI's** prime auto issue, **WOART 2020-C**, respectively.

GM and World Omni's deals were sold two weeks ago and were increased in size

due to keen investor appetite for high-rated ABS paper.

The latest Santander issue, SCART 2020-B, was marketed as a prime auto issue as the average FICO score of the loan pool was 750, which is consistent for prime auto issues.

The average consumer credit score was also higher than the 690 for the previous auto ABS issue from the Santander Consumer Auto Receivables Trust shelf, which the lender uses to securitise loans it extends for purchases of Fiat Chrysler cars and trucks.

However, Fitch projected a cumulative net loss of 4.25% for the offering. This was higher than the 1.64% Fitch forecast for the

recent GM transaction and 1.80% for the World Omni issue, respectively.

Another risk in the Santander deal not seen in recent prime auto issues is the inclusion of loans that mature in 84 months. These seven-year car loans make up 10.8% of the deal's collateral pool, Fitch said.

Fitch said in a pre-sale report on the Santander issue that it "believes there is an increased risk associated with longer-term loans as the loans amortise more slowly relative to vehicle depreciation."

Moreover, the relatively high weighted average loan-to-value ratio of 98% on the Santander issue reduced its appeal to some investors. GM's ABS deal last week had an LTV of 96%.

GLOBAL BOND SUMMARY DETAILS: WEEK ENDING 21/8/2020

Pricing date	Issuer	Amount	Maturity	Coupon (%)	Reoffer	Spread (bp)	Yield (%)
SSAR							
US DOLLARS							
Aug 13 2020	World Bank	US\$700m	Aug 19 2027	SOFR+43	100	SOFR+43	-
Aug 18 2020	KfW (green)	US\$2bn	Sep 30 2030	0.75	99.477	MS+16 / T+14.75	0.804
Aug 18 2020	SEK	US\$1bn	Aug 26 2025	0.5	99.931	MS+19 / T+23.85	0.514
Aug 19 2020	Development Bank of Japan	US\$700m	Aug 27 2025	0.5	99.547	MS+28 / T+32.1	0.592
Aug 19 2020	Development Bank of Japan	US\$1bn	Aug 27 2030	1	99.432	MS+42 / T+40.4	1.06
Aug 19 2020	World Bank (SDB)	US\$3bn	Aug 26 2030	0.75	99.415	MS+17 / T+15.35	0.811
Aug 20 2020	International Finance Corporation	US\$1bn	Aug 27 2030	0.75	99.396	MS+18/ T+17	0.813
EUROS							
Aug 18 2020	Free State of Bavaria	€100m	Mar 28 2036	0.01	99.488	MS+4	-
Aug 19 2020	Joint Laender #59	€1bn	Aug 26 2030	0.01	102.154	MS+1 / B+28.5	
Aug 20 2020	Federal State of Schleswig-Holstein	€500m	Aug 28 2023	0.01	101.93	MS-5	-0.483
STERLING							
Aug 19 2020	UK Municipal Bonds Agency Finance Company	£250m	Aug 26 2060	1.625	96.748	G+100	1.731
NON-CORE							
Aug 17 2020	New South Wales Treasury Corp	A\$200m incr (A\$312m)	Aug 24 2050	2.45	100	EF+149	2.45
Aug 20 2020	KfW	Nkr500m incr (Nkr5.5bn)	Apr 3 2024	1.625	-	-	-
CORPORATES							
US DOLLARS							
Aug 14 2020	Lexington Realty Trust	US\$400m	Sep 15 2030	2.7	99.233	T+210	2.788
Aug 17 2020	Brixmor Operating Partnership LP	US\$300m	Jul 1 2030	4.05	107.172	T+250	3.178
Aug 17 2020	Cummins	US\$500m	Sep 1 2025	0.75	99.818	T+50	0.787
Aug 17 2020	Cummins	US\$850m	Sep 1 2030	1.5	99.63	T+85	1.54
Aug 17 2020	Cummins	US\$650m	Sep 1 2050	2.6	99.338	T+120	2.632
Aug 17 2020	Dow Chemical	US\$850m	Nov 15 2030	2.1	99.176	T+150	2.19
Aug 17 2020	Dow Chemical	US\$1.15bn	Nov 15 2050	3.6	99.26	T+220	3.64

“The LTV is a little high for us,” another fund manager said. “We tend to invest in less levered deals.”

However, new auto ABS deals are being broadly well received by investors.

Overall, prime auto ABS spreads have recovered since their sell-off in March and are now trading tighter than levels before the Covid-19 pandemic.

Despite its unique risks, Santander's prime auto offering did fetch enough orders that resulted in its senior tranches to come in 7bp–13bp tighter than the low end of its price guidance, buyside sources said.

JP Morgan, Lloyds and Sumitomo were leads on Santander's auto deal, which is expected to settle on August 26.

ASIA-PACIFIC MBS

REDZED READIES NON-CONFORMER

Non-bank lender **REDZED** has mandated CBA and NAB for an Australian dollar non-conforming RMBS offering under the RedZed Trust Series programme.

Investor calls will begin on August 24 ahead of issuance as early as the following week.

RedZed, which specialises in lending to self-employed people and those who self-certify their incomes, sold rare Australian commercial mortgage-backed

securities in June with the no-grow A\$300m (US\$214m) RedZed Trust STC Series 2020-1.

Its previous RMBS issue was the A\$400m non-conforming RedZed Trust Series 2019-1 in July last year.

BLUESTONE PLANS QUICK RETURN

Non-bank lender **BLUESTONE** has mandated CBA, Macquarie and NAB to market a potential Australian dollar RMBS offering under the Sapphire programme.

Bluestone previously issued the A\$350m Sapphire 2020-1 RMBS on June 30 using the same three lead managers.

Pricing steps	NIP (bp)	Book size	Ratings	Bookrunners	Distribution
-	-	>US\$700m	Aaa/AAA	WFS	Americas 72%, EMEA 28%. Bk Tsy 87%, AM 13%
MS+19 area, MS+18 area	0	US\$6.7bn	Aaa/AAA/-/AAA (Scope)	BNPP/BofA/Citi	Asia 23%, Americas 21%, UK 17%, Germany 4%, France 4%, Scandinavia 10%, Other 21%. CB/OI 43%, Banks 27%, AM 21%, Ins/Pens 9%
MS+20 area, MS+19 area	-2	>US\$1.4bn	Aa1/AA+	BNPP/HSBC/Miz/MS	EMEA 36%, Americas 33%, Asia 31%. CB/OI 51%, Bks 29%, FM 17%, others 3%
MS+30 area, MS+29 (+/-1)	-	>US\$1.5bn	A1/A+	Barc/Citi/MS/Nom	-
MS+46 area, MS+43 (+/-1)	-	>US\$3bn	A1/A+	Barc/Citi/MS/Nom	-
MS+18 area	0.5	>US\$4.6bn	Aaa/AAA	BofA/HSBC/JPM/WFS	Asia 46%, EMEA 38%, Americas 16%. CB/OI 42%, AM/Ins/PF 32%, Bks/BkTsy/Corps 26%
MS+18 area	-	>US\$1.2bn	Aaa/AAA	Citi/HSBC/JPM/Nom	-
-	-	-	AAAe/AAAe (S&P/Scope)	BayernLB	-
MS+1 area	-	-	-/-/A	Deka/LBBW/NordLB/RBI/TD	-
-	-	-	-/-/AAA	Uni	-
G+110 area, G+100/105	-	~£500m	Aa3	Barc/BofA/HSBC	-
-	-	-	Aaa/AAA/-	JPM	-
-	-	-	Aaa/AAA/-/AAA (Scope)	CMZ	-
T+275a T+225 (the #)	-	US\$3bn	Baa2/BBB-/BBB	JPM/WFS	-
T+287.5 area, T+255 area (+/-5)	-13	US\$975m	Baa3/BBB-/BBB-	BofA/Jeff/Scotia/USB	-
T+70 area, T+55 area (+/-5)	-	US\$2.7bn	A2/A+/-	BofA/Citi/HSBC/ING/JPM	-
T+105 area, T+90 area (+/-5)	-	US\$2.5bn	A2/A+/-	BofA/Citi/HSBC/ING/JPM	-
T+140 area, T+125 area (+/-5)	-	US\$2.3bn	A2/A+/-	BofA/Citi/HSBC/ING/JPM	-
T+165 area, T+155 area (+/-5)	7	-	Baa2/BBB/BBB+	Citi/Miz/SMBC	-
T+235 area, T+225 area (+/-5)	2	US\$2.1bn	Baa2/BBB/BBB+	Citi/Miz/SMBC	-

GLOBAL BOND SUMMARY DETAILS: WEEK ENDING 21/8/2020 (CONTINUED)

Pricing date	Issuer	Amount	Maturity	Coupon (%)	Reoffer	Spread (bp)	Yield (%)
Aug 17 2020	Duke Energy	US\$700m	Feb 18 2021	3mL+18	100	3mL+18	3mL+18
Aug 17 2020	Duke Energy	US\$600m	Aug 15 2050	2.5	99.435	T+110	2.527
Aug 17 2020	General Motors Financial	US\$1.25bn	Aug 18 2023	1.7	99.904	T+155	1.733
Aug 17 2020	General Motors Financial	US\$900m	Aug 20 2027	2.7	99.778	T+225	2.735
Aug 17 2020	General Motors Financial	US\$350m	Jun 21 2030	3.6	104.228	T+240	3.087
Aug 17 2020	Honeywell International	US\$500m	Aug 19 2022	3mL+23	100	3mL+23	3mL+23
Aug 17 2020	Honeywell International	US\$2.5bn	Aug 19 2022	0.483	100	T+33	0.483
Aug 17 2020	Intercontinental Exchange Group	US\$1.25bn	Jun 15 2023	3mL+65	100	3mL+65	3mL+65
Aug 17 2020	Intercontinental Exchange Group	US\$1bn	Jun 15 2023	0.7	99.903	T+55	0.735
Aug 17 2020	Intercontinental Exchange Group	US\$1.5bn	Sep 15 2032	1.85	99.559	T+120	1.891
Aug 17 2020	Intercontinental Exchange Group	US\$1.25bn	Sep 15 2040	2.65	99.32	T+125	2.694
Aug 17 2020	Intercontinental Exchange Group	US\$1.5bn	Sep 15 2060	3	98.984	T+160	3.044
Aug 17 2020	Oglethorpe Power	US\$450m	Aug 1 2050	3.75	98.532	T+240	3.833
Aug 17 2020	Southern	US\$500m	Jan 15 2031	1.75	99.67	T+110	1.785
Aug 18 2020	Retail Properties of America	US\$400m	Sep 15 2030	4.75	98.684	T+425	4.917
Aug 18 2020	Roper Technologies	US\$300m	Aug 15 2022	0.45	99.913	T+35	0.495
Aug 18 2020	Roper Technologies	US\$700m	Sep 15 2025	1	99.868	T+75	1.027
Aug 18 2020	Roper Technologies	US\$700m	Sep 15 2027	1.4	99.86	T+95	1.421
Aug 18 2020	Roper Technologies	US\$1bn	Feb 15 2031	1.75	99.839	T+110	1.767
Aug 20 2020	Eli Lilly	US\$250m	May 15 2050	2.25	98.777	T+93	2.307
Aug 20 2020	Eli Lilly	US\$850m	Sep 15 2060	2.5	98.082	T+120	2.577
Aug 20 2020	Johnson & Johnson	US\$1bn	Sep 1 2025	0.55	99.891	T+30	0.572
Aug 20 2020	Johnson & Johnson	US\$1.5bn	Sep 1 2027	0.95	99.932	T+50	0.96
Aug 20 2020	Johnson & Johnson	US\$1.75bn	Sep 1 2030	1.3	99.972	T+65	1.303
Aug 20 2020	Johnson & Johnson	US\$1bn	Sep 1 2040	2.1	99.335	T+75	2.141
Aug 20 2020	Johnson & Johnson	US\$1bn	Sep 1 2050	2.25	99.113	T+90	2.291
Aug 20 2020	Johnson & Johnson	US\$1.25bn	Sep 1 2060	2.45	98.965	T+110	2.491
SWISS FRANCS							
Aug 18 2020	Rieter Holding	SFr75m	Sep 17 2024	1.55	100.039	MS+210	-
NON-CORE							
Aug 18 2020	Goodman Australia Partnership	A\$400m	Aug 26 2027	2.2	99.569	ASW+175	2.267
Aug 19 2020	Vasakronan (green)	SKr1.04bn	Aug 21 2023	3mSt+50	100.243	-	-
Aug 19 2020	Vegfinans Innlandet	NKr600m	Aug 28 2023	3mN+33	100	3mN+33	-
Aug 19 2020	Vegfinans Innlandet	NKr500m	Aug 28 2025	3mN+45	100	3mN+45	-
Aug 20 2020	Coles	A\$300m	Aug 27 2030	2.1	99.753	ASW+137	2.128
Aug 20 2020	Coles	A\$150m	Aug 27 2025	3mBBSW+97	100	3mBBSW+97	

Pricing steps	NIP (bp)	Book size	Ratings	Bookrunners	Distribution
3mL+37.5 area, 3mL+18 (the #)	-	US\$2.7bn	A2/A-/	Citi/ACADSE/ CLKING/GP/LOOPCM/ MISCH/RAM/SIEWIL	-
T+125 area, T+110 area (+/-5)	1	US\$1.1bn	Aa3/A/	Citi/JPM/MUFG/PNC/ TDSECS/WFS	-
T+180 area, T+155 (the #)	2	US\$2.2bn	Baa3/BBB/BBB-	Barc/BNP/GS/SCOTIA/SG/TD	-
T+245 area, T+225 (the #)	1	US\$1.9bn	Baa3/BBB/BBB-	Barc/BNP/GS/SCOTIA/SG/TD	-
T+260 area, T+240 (the #)	3	US\$900m	Baa3/BBB/BBB-	Barc/BNP/GS/SCOTIA/SG/TD	-
3mL+equiv 3mL+25 area (+/-2)	-	US\$1.3bn	A2/A/A	DB/GS/Miz/MS	-
T+50 area, T+35 area (+/-2)	6	US\$3.9bn	A2/A/A	DB/GS/Miz/MS	-
3mL+90 3mL+70 area (+/-5)	-	US\$1.7bn	A3/BBB+/	BofA/JPM/WFS	-
T+80 area, T+60 area (+/-5)	-3	US\$4.3bn	A3/BBB+/	BofA/JPM/WFS	-
T+150 area, T+125 area (+/-5)	2	US\$4.7bn	A3/BBB+/	BofA/JPM/WFS	-
T+145 area, T+130 area (+/-5)	2	US\$3.9bn	A3/BBB+/	BofA/JPM/WFS	-
T+180 area, T+160 area (+/-5)	0	US\$3.9bn	A3/BBB+/	BofA/JPM/WFS	-
T+275 area, T+245 area (+/-5)	-7	US\$1.6bn	Baa1/BBB+/BBB+	JPM/MUFG/RBC	-
T+135 area, T+110 (the #)	-3	US\$1.7bn	Baa1/A-/BBB+	GS/JPM/Miz/Scotia	-
T+450 area,	12	US\$750m	Baa3/BBB-/	Citi/WFS	-
T+65 area, T+40 area (+/-5)	-4	US\$2.4bn	Baa2/BBB+/	BofA/JPM/WFS	-
T+100 area, T+80 area (+/-5)	3	US\$3bn	Baa2/BBB+/	BofA/JPM/WFS	-
T+115 area, T+100 area (+/-5)	-1	US\$1.9bn	Baa2/BBB+/	BofA/JPM/WFS	-
T+130 area, T+115 area (+/-5)	-3	US\$1.7bn	Baa2/BBB+/	BofA/JPM/WFS	-
T+115-120 T+93 (the #)	1	US\$1.1bn	A2/A+	BNP/Citi/JPM/MS	-
T+140 area, T+120 (the #)	2	US\$1.8bn	A2/A+	BNP/Citi/JPM/MS	-
T+45 area, T+35 area (+/-5)	-2	US\$2.2bn	Aaa/AAA	BofA/JPM(a)/Citi/DB(p)	-
T+65 area, T+55 area (+/-5)	-3	US\$2.9bn	Aaa/AAA	BofA/JPM(a)/Citi/DB(p)	-
T+80 area, T+70 area (+/-5)	-1	US\$4.4bn	Aaa/AAA	BofA/JPM(a)/Citi/DB(p)	-
T+90 area, T+80 area (+/-5)	-1	US\$2.9bn	Aaa/AAA	BofA/JPM(a)/Citi/DB(p)	-
T+105 area, T+95 area (+/-5)	3	US\$2.4bn	Aaa/AAA	BofA/JPM(a)/Citi/DB(p)	-
T+125 area, T+115 area (+/-5)	3	US\$2.8bn	Aaa/AAA	BofA/JPM(a)/Citi/DB(p)	-
MS+190/210, MS+200/210	-	-	CS: Mid BB/ZKB: BB+	CMZ	-
ASW+195 area	-	A\$2.5bn	-/BBB/-	NAZ/NAB	AUD/NZ 87%, Asia 13%. FM/Ins 85%, MM 5%, banks 4%, others 6%.
-	-	-	-/-/-	SEB	-
3mN+32/34	-	-	-/-/-	DNB	-
3mN+44/46	-	-	-/-/-	DNB	-
ASW+155 area	-6	A\$2bn	Baa1/BBB+	ANZ/GS/SMBC	AUD/NZ 79%, Asia 19%, EMEA 3%. RM 83%, Banks 10%, MM/PB 5%, others 2%.
3mBBSW+110 area	-5	A\$800m	Baa1/BBB+	ANZ/GS/SMBC	AUD/NZ 74%, Asia 22%, EMEA 4%. RM 78%, Banks 10%, MM/PB 10%, others 2%.

GLOBAL BOND SUMMARY DETAILS: WEEK ENDING 21/8/2020 (CONTINUED)

Pricing date	Issuer	Amount	Maturity	Coupon (%)	Reoffer	Spread (bp)	Yield (%)
Aug 21 2020	Investore Property	NZ\$125m	Aug 31 2027	2.4	100	MS+200	2.4
FINANCIALS							
US DOLLARS							
Aug 17 2020	National Australia Bank	US\$1.5bn	Aug 21 2030	2.332	100	T+165	2.332
Aug 17 2020	Santander UK	US\$1bn	Aug 21 2026	1.532	100	T+125	1.532
Aug 18 2020	Athene Global	US\$550m	Aug 20 2027	2.45	99.866	T+200	2.471
Aug 18 2020	Globe Life	US\$350m	Aug 15 2030	2.15	99.822	T+150	2.17
Aug 18 2020	KKR Group Finance	US\$750m	Aug 25 2050	3.5	99.1	T+215	3.549
Aug 18 2020	Prudential Financial	US\$800m	Oct 1 2050	3.7	100	3.7	3.7
Aug 19 2020	The Hanover Insurance Group	US\$300m	Sep 1 2030	2.5	99.868	T+185	2.515
Aug 20 2020	Principal Life Global Funding	US\$400m	Aug 27 2030	1.5	99.391	T+92	1.566
NON-CORE							
Aug 17 2020	Insurance Australia Group	A\$450m	Dec 15 2036 (2026)	3mBBSW+245	100	3mBBSW+245	-
Aug 18 2020	QBE Insurance Group Tier 2	A\$500m	Aug 25 2036 (2026)	3mBBSW+275	100	3mBBSW+275	-
Aug 19 2020	ANZ Tier 2 (SDG)	A\$1.25bn	Feb 26 2031 (2026)	3mBBSW+185	100	3mBBSW+185	-
COVERED BONDS							
NON-CORE							
Aug 18 2020	Skandiabanken	SKr800m	Sep 25 2025	3mSt+75	102.924	DM+18	-
HIGH-YIELD							
US DOLLARS							
Aug 14 2020	Comstock Resources	US\$300m	Aug 15 2026 (Aug 2025)	9.75	100.5	T+919	9.595
Aug 14 2020	Graphic Packaging International	US\$350m	Mar 1 2029	3.5	100	T+290	3.5
Aug 14 2020	Logan Merger Sub	US\$950m	Sep 1 2027 (Sep 2023)	5.5	100	T+498	5.499
Aug 14 2020	Carnival	US\$900m	Aug 1 2027 (Feb 2024)	9.875	100	T+938	9.875
Aug 17 2020	GFL	US\$750m	Aug 1 2025 (Aug 2022)	3.75	100	T+347	3.75
Aug 17 2020	Lamar Media	US\$150m	Feb 15 2030 (Feb 2025)	4	99.5	T+340	4.065
Aug 17 2020	NCR	US\$650m	Oct 1 2028 (Oct 2023)	5	100	T+446	5
Aug 17 2020	NCR	US\$450m	Oct 1 2030 (Oct 2025)	5.25	100	T+458	5.25
Aug 17 2020	Xerox Holdings	US\$200m	Aug 15 2025	5	100.75	T+455	4.826
Aug 17 2020	Xerox Holdings	US\$200m	Aug 15 2028	5.5	102.5	T+464	5.111
Aug 18 2020	Hannon Armstrong	US\$375m	Sep 15 2030	3.75	99	T+321	3.871
Aug 18 2020	iStar	US\$400m	Feb 15 2026 (Feb 2022)	5.5	100	T+517	5.5
Aug 18 2020	ON Semiconductor	US\$700m	Sep 1 2028 (Sep 2025)	3.875	100	T+335	3.875
Aug 18 2020	Range Resources	US\$300m	Feb 1 2026 (Feb 2022)	9.25	100	T+898	9.25
Aug 18 2020	Southwestern Energy	US\$350m	Sep 15 2028 (Sep 2023)	8.375	100	T+791	8.375
Aug 19 2020	Enstar Finance	US\$300m	Sep 1 2040 (Sep 2035)	5.75	100	-	5.75
Aug 19 2020	Genworth Mortgage	US\$750m	Aug 15 2025	6.5	100	T+621	6.5
Aug 19 2020	New Fortress Energy	US\$1bn	Sep 15 2025 (Sep 2022)	6.75	100	T+647	6.75
Aug 19 2020	Pike	US\$500m	Sep 1 2028 (Mar 2025)	5.5	100	T+497	5.5
Aug 20 2020	Sabre GLBL	US\$850m	Sep 1 2025 (Sep 2022)	7.375	100	T+710	7.375

Pricing steps	NIP (bp)	Book size	Ratings	Bookrunners	Distribution
MS+200-220	-	-	-/-/-	WBC/ANZFB/Jar	-
T+190-195 area, T+165bp (the #)	-	US\$5.2bn	Aa3/AA-/	Citi/JPM/NAB/TD	-
T+150 area, T+125 (the #)	-1	US\$1.9bn	Baa1/BBB/A	Citi/GS/JPM/MS/Sant	-
T+220-225 T+200 (the #)	6	US\$900m	/A/A	BNP/DB/GS/MS	-
T+165 area, T+150 (the #)	2	US\$600m	Baa1/A/BBB+	BofA/UBS	-
T+262.5 area, T+220 area (+/-5)	3	US\$2.3bn	/A/A	Citi/JPM/KKR/Miz	-
4.125%/4.25% 3.70% (the #)	12	US\$3.8bn	Baa1/BBB+/BBB+	Barc/Citi/GS/MS/WFS	-
T+225 area, T+185 (the #)	-	US\$2bn	Baa3/BBB/BBB-	JPM/MS/WFS	-
T+110 area, T+95 area (+/-3)	-3	US\$450m	A1/A+	DB/GS/HSBC	-
3mBBSW+270 area	-	-	-/BBB/-	ANZ/HSBC/JPM	-
3mBBSW+300 area	-	-	Baa1/BBB	ANZ/Citi/Barc/CBA/HSBC/NAB	-
3mBBSW+200 area	-	A\$2.1bn	Baa1/BBB+/A-	ANZ	Aus 88%, Asia 7%, NZ 4%, others 1%. AM 83%, Ins 7%, Bks 4%, MM 3%, others 3%.
-	-	-	Aaa	Danske	-
100%/100.5%	-	-	Caa1/B-/B+	BofA/BMO/WFS	-
-	-	-	Ba2/BB+/	BofA/Citi/JPM/Rabo/Truist/TD/WFS	-
5.50%-5.75%	-	-	B1/B-/	Barc/RBC/DB/Jeff/Miz	-
10% area	-	-	Ba1/BB+/	JPM/GS/BAML/Barc/BNP/Citi/DB/HSBC/LLOYDS/Miz/Sant	-
3.75%/4%	-	-	Ba3/BB-/	Barc/BMO/GS/RBC/Scotia/CIBC	-
99% area	-	-	Ba3/BB-/	JPM/BAML/Citi/DB/TRUIST/WFS/Barc/Miz/PNC/Scotia/SMBC/TD	-
5.125% area	-	-	Ba3/BB-/	BofA /Wells/CapOne/Fifth Third/JPM/MUFG/PNC /RBC/Truist	-
5.375% area	-	-	Ba3/BB-/	BofA /Wells/CapOne/Fifth Third/JPM/MUFG/PNC /RBC/Truist	-
100.25%, 100.75%	-	-	Ba1/BB/	Citi	-
102.25%, 102.50%	-	-	Ba1/BB/	Citi	-
4% area	-	-	/BB+/BB+	MS	-
5.375% area	-	-	Ba3/BB/BB	BofA/JPM/Barc/MS/GS	-
4% area	-	-	Ba2/BB/	BofA / BBVA/ BMO / Citi / DB / HSBC / JPM / MUFG / SMBC	-
0.99%	-	-	B3/B+/	JPM/BofA/WFS/BMO/Barc/Citi/MS	-
8.50%/8.75%	-	-	Ba3/BB-/	Citi(Left)/BAML/WFS/GS/JPM/Miz/MUFG/RBC/TRUIST	-
6.2%, 5.75%/5.875	-	-	-/BB+/BB+	Barc/HSBC/JPM/WFS	-
6.75% area, 6.5% area	-	-	-	GS/Barc	-
6.75% area	-	-	B1/B+/	MS	-
5.5%/5.75%	-	-	B3/CCC+/	MS	-
7.50% area	-	-	Ba3/B+/	BofA/MS/Mizuho/Wells/PNC/DB/GS/MUFG /Citi/ING	-

GLOBAL DEBT: SOVEREIGN FOREIGN CURRENCY LONG-TERM RATINGS (21/8/2020)

Sovereign	Moody's		S&P		Fitch		Sovereign	Moody's		S&P		Fitch	
	1	2	3	4	5	6		1	2	3	4	5	6
Abu Dhabi	Aa2	–	AA	AA+	AA	AA+	Laos	Caa2 n ▼	Caa1 ▼	–	–	B– n	BBB+
Albania	B1	Ba2	B+	BB	–	–	Latvia	A3	Aaa	A	AAA	A–	AAA
Andorra	–	Ba2	BBB	AAA	BBB+	A+	Lebanon	Caa2	Caa1	CCC n	CCC	CC	CCC
Angola	B3	B2	B– n	B–	B n	B	Lesotho	–	–	–	–	B	B+
Argentina	Caa2	Caa1	CC n	B–	RD	CCC	Liechtenstein	–	Aaa	AAA	AAA	–	–
Armenia	Ba3	Ba1	–	–	BB–	BB	Lithuania	A3 p	Aaa	A	AAA	A– p	AAA
Aruba	–	–	BBB+ n	BBB+	BBB– n	BBB	Luxembourg	Aaa	Aaa	AAA	AAA	AAA	AAA
Australia	Aaa	Aaa	AAA	AAA	AAA n	AAA	Macau	Aa3	Aa2	–	–	AA n	AAA
Austria	Aa1	Aaa	AA+	AAA	AA+	AAA	Macedonia (FYR)	–	–	BB–	BB	BB+ n	BBB–
Azerbaijan	Ba2	Ba2	BBn	BB+	BB+	BB+	Malaysia	A3	A1	A– n	A+	A–	A
Bahamas	Ba2 n	Baa1	BB+	BBB–	–	–	Maldives	B2 n	Ba3	–	–	B n	B
Bahrain	B2	Ba3	B+ p	BB–	B+ ▼	BB+ ▼	Malta	A2	Aaa	A– p	AAA	A+	AAA
Bangladesh	Ba3	Ba2	BB–	BB–	BB–	BB–	Mauritius	Baa1	A2	–	–	–	–
Barbados	Caa1	B2	B–	B–	–	–	Mexico	Baa1 n	A1	BBB+ n	A+	BBB–	BBB+
Belarus	B3	B3	B	B	B	B	Moldova	B3	B2	–	–	–	–
Belgium	Aa3	Aaa	AA	AAA	AA–	AAA	Mongolia	B3 n	B1	B	B+	B	B+
Belize	Caa1 n	B1	CC n	CC	–	–	Montenegro	B1 p	Ba1	B+ n	AAA	–	–
Bermuda	A2	Aa3	A+	AA+	–	–	Montserrat	–	–	BBB–	BBB–	–	–
Bolivia	Ba3	Ba2	B+	B+	B+	B+	Morocco	Ba1	Baa2	BBB–	BBB+	BBB– n	BBB
Bosnia Herzegovina	B3	B3	B	BB–	–	–	Mozambique	Caa2	Caa1	CCC+	CCC+	CCC	B–
Botswana	A2 n	Aa3	A–	A+	–	–	Namibia	Ba2 n	Baa3	–	–	BB	BB+
Brazil	Ba2	Ba1	BB–	BB+	BB– n	BB	Netherlands	Aaa	Aaa	AAA	AAA	AAA	AAA
Bulgaria	Baa2	A3	BBB	A	BBB p	A–	New Zealand	Aaa	Aaa	AA p	AAA	AA	AAA
Cambodia	B2	B1	–	–	–	–	Nicaragua	B2n	B1	B–	B–	B– n	B–
Cameroon	B2	Ba2	B n	BBB–	B n	BB+	Nigeria	B2 n	B1	B	B+	B+ n	B+
Canada	Aaa	Aaa	AAA	AAA	AA+	AAA	Norway	Aaa	Aaa	AAA	AAA	AAA	AAA
Cape Verde	–	–	B	BB–	B–	B	Oman	Ba3 n	Baa3	BB n	BB+	BB– n ▼	BB+
Cayman Islands	Aa3	Aa2	–	–	–	–	Pakistan	B3	B2	B–	B–	B–	B–
Chile	A1	Aa2	A+	AA	A	AA	Panama	Baa1	A2	BBB+ n	AAA	BBB	A
China	A1	Aa3	A+	A+	A+	A+	Papua New Guinea	B2	B1	B–	B–	–	–
Colombia	Baa2	A3	BBB–	BBB+	BBB n	BBB+	Paraguay	Ba1	Baa3	BB	BB+	BB+	BB+
Congo (DR)	B3 n	B3	CCC+	CCC+	–	–	Peru	A3	A1	BBB+	A	BBB+	A–
Congo (Rep)	Caa2 n	B2	B– n	BBB–	CCC	B+	Philippines	Baa2	A3	BBB+	A–	BBB p	BBB+
Cook Islands	–	–	B+	AAA	–	–	Poland	A2	Aa3	A–	A	A–	AA–
Costa Rica	B2 n	Ba2	B– n	BB–	B n	B+ n	Portugal	Baa3 p	Aa3	BBB	AAA	BBB	AA
Cote d'Ivoire	Ba3	Baa3	–	–	B+ p	BBB–	Qatar	Aa3	Aa3	AA–	AA	AA–	AA
Croatia	Ba2 p	Baa3	BBB	BBB+	BBB– p	BBB+	Ras al-Khaimah	–	–	A	AA+	A	AA+
Cuba	Caa2	Caa2	–	–	–	–	Romania	Baa3 n	A3	BBB–	A–	BBB– n	BBB+
Curacao	–	–	BBB+	BBB+	–	–	Russia	Baa3	Baa2	BBB–	BBB	BBB	BBB
Cyprus	Ba2 p	A2	BBB–	AAA	BBB– p	A	Rwanda	B2	B1	B+ n	B	B+	B+
Czech Rep	Aa3	Aa1	AA–	AA+	AA–	AAA	St Vincent & Gren	B3	Ba3	–	–	–	–
Denmark	Aaa	Aaa	AAA	AAA	AAA	AAA	San Marino	–	–	–	–	BBB– n	BBB+
Dominican Rep	Ba3	Ba1	BB– n	BB+	BB–	BB–	Saudi Arabia	A1 n	A1	A–	A	A	A+
Ecuador	B3 n	B2	B–	B–	RD	CCC	Senegal	Ba3	Baa1	B+	BBB–	–	–
Egypt	B2	B1	B	B	B+	B+	Serbia	Ba3	Ba1	BB+	BBB–	BB+	BBB–
El Salvador	B3	B1	B–	AAA	B– n	B	Seychelles	–	–	–	–	B+	BB
Estonia	A1	Aaa	AA–	AAA	AA–	AAA	Singapore	Aaa	Aaa	AAA	AAA	AAA	AAA
Eswatini	B3	B1	–	–	–	–	Slovakia	A2	Aaa	A+	AAA	A	AAA
Ethiopia	B2	B1	B	B	B n	B	Slovenia	Baa1 p	Aa1	AA–	AAA	A	AAA
Fiji	Ba3 n	Ba3	BB–	BB–	–	–	Solomon Islands	B3	B2	–	–	–	–
Finland	Aa1	Aaa	AA+	AAA	AA+ p	AAA	South Africa	Baa3 n	A3	BB–	BB+	BB+ n	BBB–
France	Aa2 p	Aaa	AA	AAA	AA n	AAA	South Korea	Aa2	Aa1	AA	AAA	AA–	AA+
Gabon	Caa1 p	B1	–	–	B	BB+	Spain	Baa1	Aa1	A	AAA	A–	AAA
Georgia	Ba2	Baa3	BB	BBB–	BB n	BBB–	Sri Lanka	B2	Ba3	B–	B–	B– n	B–
Germany	Aaa	Aaa	AAA	AAA	AAA	AAA	Suriname	Caa3 n	Ba3	SD	CCC–	CC	CCC
Ghana	B3 n	B1	B n	B+	B	B	Sweden	Aaa	Aaa	AAA	AAA	AAA	AAA
Greece	B1	Baa1	BB–	AAA	BB	BBB+	Switzerland	Aaa	Aaa	AAA	AAA	AAA	AAA
Guatemala	Ba1	Baa3	BB–	BB+	BB n	BB+	Tanzania	B1n	Ba3	–	–	–	–
Honduras	B1	Ba2	BB–	BB	–	–	Taiwan	Aa3	Aa2	AA–	AA+	AA–	AA+
Hong Kong	Aa2 n	Aaa	AA+	AAA	AA–	AAA	Thailand	Baa1	A2	BBB+	A	BBB+ p	A–
Hungary	Baa3	Baa1	BBB	A–	BBB	A	Trinidad & Tobago	Ba1 n	Baa3	BBB	BBB+	–	–
Iceland	A3 p	A3	A	A	A n	A+	Tunisia	B2 n	Ba3	–	–	B	B+
India	Baa3 n	Baa1	BBB–	BBB+	BBB–	BBB–	Turkey	B1n	B1	B+	BB–	BB–	BB–
Indonesia	Baa2	A3	BBB n	BBB+	BBB	BBB	Turks & Caicos	–	–	BBB+	AAA	–	–
Iraq	Caa1	B3	B–	AAA	B– n	B–	Uganda	B2	Ba3	BB	A–	B+ n	B+
Ireland	A2	Aaa	AA–	AAA	A+	AAA	Ukraine	B3	B3	B	B	B p	B
Israel	A1	Aa3	AA–	AA+	A+	AA	UAE	Aa2	Aa2	–	–	–	–
Italy	Baa3	Aa3	BBB n	AAA	BBB–	AA–	UK	Aa2	Aaa	AA +	AAA	AA n	AAA
Jamaica	B2	Ba3	B+ n	BB–	B+	BB–	USA	Aaa	Aaa	AA+	AAA	AAA n	AAA
Japan	A1 p	Aaa	A+	AA+	A	AAA	Uruguay	Baa2	A2	BBB	A–	BBB– n	BBB+
Jordan	B1	Ba1	B+	BB	BB– n	BB	Uzbekistan	–	–	BB– n	BB–	–	–
Kazakhstan	Baa3 p	Baa2	BBB–	BBB	BBB	BBB+	Venezuela	C	Ca	SD	CC	–	–
Kenya	B2 n	Ba3	B+ n	BB–	B+	BB–	Vietnam	Ba3	Ba1	BB	BB	BB p	BB
Kuwait	Aa2	Aa2	AA– n	AA	AA	AA+	Zambia	Caa2 n	B3	CCC+	CCC+	CCC	B–
Kyrgyzstan	B2	Ba3	–	–	–	–							

- Moody's Government Bonds
- Moody's Country Ceilings
- S&P Government Bonds
- S&P Transfer and Convertibility Assessments

- Fitch Government Bonds
- Fitch Country Ceilings
- Positive outlook/on watch for upgrade

- Negative outlook/on watch for downgrade
- New rating
- Rating withdrawn
- Selective default

- * Taken off positive watch/outlook
- ** Taken off negative watch/outlook

- ▲ Improvement in ratings, outlook or watch status
- ▼ Deterioration in ratings, outlook or watch status

■ FRONT STORY ASIA

Vedanta bond hits buyout target

» Indian company issues note to help fund corporate streamlining

» Existing bondholders help anchor new issue

VEDANTA RESOURCES exceeded expectations with a US\$1.4bn bond offering that will allow chairman Anil Agarwal to take its India-listed subsidiary private.

The amortising three-year bonds were priced at par, to yield 13%, inside initial guidance of 13.25%, and drew final orders of over US\$2.4bn from 107 accounts.

Monday's deal was well anchored, with real-money accounts among those putting in US\$100m-plus orders.

"Existing holders who had a very sizeable exposure across the curve wanted this transaction to go through and benefit the old bonds, so they saw the benefit in anchoring the deal," said one of the leads.

This was the first Indian high-yield deal since the coronavirus pandemic roiled global capital markets five months ago, sending Vedanta Resources' dollar bonds down to cash prices in the 30s in March.

Vedanta Resources, which delisted from London in 2018, owns a 50.1% stake in India-listed Vedanta Limited and wants to acquire the remaining 49.9%.

"Existing holders who had a very sizeable exposure across the curve wanted this transaction to go through and benefit the old bonds, so they saw the benefit in anchoring the deal"

The energy and resources company had been aiming for a deal size of US\$1.25bn to accompany a previously agreed US\$1.75bn three-month loan facility. The company said in a statement that "this is the maximum incremental leverage we can consider in our capital structure".

It is expected to need around US\$3bn to fund the acquisition of the minority shares in Vedanta Ltd, based on the current market price, which will streamline its corporate structure and give it access to cash held at subsidiaries, enabling it to deleverage.

"Investors have been saying forever that they don't like the complicated corporate structure," said a second lead. "If you take out that structure and look at the margins in the business, it's very healthy."

The quirks of the Indian takeover system mean that the final price has not yet been determined and the stock price has jumped about 60% since Vedanta Resources made a formal offer.

SECURITY PACKAGE

Vedanta Resources' outstanding bonds are still quoted at yields in the high teens, but the transformational nature of the planned transaction and the improved security package helped the new bond price well inside them.

Existing bonds are unsecured and issued from the holding company level, but the new bond will be issued by Vedanta Holdings Mauritius II with guarantees from the parent and certain subsidiaries.

It is secured against 100% stakes in Vedanta Holdings Mauritius and Vedanta Holdings Mauritius II, the entities that would collectively own up to 49.9% of Vedanta Ltd acquired from minority shareholders.

The new bond has an amortising structure, so holders will be repaid their principal in equal instalments at 24, 30 and 36 months. That puts the weighted average maturity at 2.5 years. The bonds are also callable after two years.

"This is not a China property high-yield bond where no one even looks at the covenant package," said another lead. "There was huge scrutiny of everything."

Joint global coordinators and bookrunners *Barclays*, *Credit Suisse*, *Deutsche Bank*, *JP Morgan* and *Standard Chartered* came up with structural enhancements and tweaked call dates and prices in response to investor feedback.

Investors in the dollar bond will be refunded at 101% of their principal plus accrued interest if the buyout fails. The bank debt package will also be unwound if that happens.

Thanks to the security package, the notes have expected ratings of B3/B by Moody's/S&P, above the company ratings of B1/B-.

Moody's has a negative outlook on Vedanta Resources' ratings, while S&P has put them on credit watch with developing implications to reflect the uncertainty around the buyout. S&P said it could upgrade Vedanta Resources to B if refinancing risks ease.

The company's leverage is expected to rise in the short term as it takes on debt to fund the buyout. S&P expects the group's leverage to rise to 6.5x–7.0x in the 2021 fiscal year, from 5.0x–5.5x at the end of March, before declining to about 5.0x at the end of FY 2022.

"Investors have been saying forever that they don't like the complicated corporate structure. If you take out that structure and look at the margins in the business, it's very healthy"

Any surplus proceeds from the bonds will be used to fund a tender offer at par for Vedanta Resources' dollar bonds maturing in 2021 or to repay them at maturity.

Vedanta Resources in June completed a consent solicitation and won approval from holders of its existing bonds to allow more secured borrowing.

The outstanding bonds rallied in recent weeks on news of the coming deal, but dropped around two points on Monday as investors made room for the new issue.

Asia-Pacific took 63% of the 144A/Reg S bonds, US investors 26% and EMEA 11%. Funds booked 93%, private banks and corporates 4%, and others 3%.

The new bonds were trading around 101 on Tuesday morning.

This was the first Indian high-yield deal since global stock markets began to collapse in early March. Back then, Lodha Developers International squeezed through a US\$225m three-year non-call one deal rated Caa1 by Moody's and yielding 14%.

Daniel Stanton

ASIA-PACIFIC

CHINA

CHINA JIANYIN INVESTMENT PRINTS DUAL-TRANCHER

CHINA JIANYIN INVESTMENT last Thursday priced a US\$900m dual-tranche senior guaranteed Reg S bond offering that was more than seven times covered and traded tighter in the aftermarket on robust demand for a high quality credit.

A US\$400m 1.5% five-year tranche was priced at 99.923 to yield 1.516% and a US\$500m 2.125% 10-year tranche was priced at 98.922 to yield 2.246%.

The final pricing translates to respective spreads of 125bp and 160bp over Treasuries, inside initial guidance of 180bp area and 210bp area.

The deal was postponed by a day because of Typhoon Higos, which did not affect investor enthusiasm.

"Market liquidity is still ample but investors are selective. With quality names like Jianyin, which is also a regular issuer in the market, investors are willing to buy," said a banker on the deal.

Books peaked at over US\$8.5bn when final guidance was announced, and the final book still stood at over US\$6.8bn despite a 50bp–55bp tightening from IPG, allowing the deal to price inside fair value.

The five-year tranche was priced about 7bp–8bp inside fair value and the 10-year about 5bp inside, according to the banker.

State Development & Investment Corp, rated A2/A+, is the closest comparable for Jianyin. Both have the same ratings, are ultimately 100%-owned by the central government, and are state-owned investment arms used to promote national development policies.

Jianyin is the sole and wholly owned industrial business investment arm of Central Huijin Investment, which is directly managed by sovereign wealth fund China Investment Corp. SDIC is owned by the central SASAC with core investments in power generation, ports and rail, financial services and advanced manufacturing.

SDIC's 3.25% 2024s and 3.75% 2029s were bid at a spread of 127bp and 152bp over Treasuries ahead of the release of IPG.

Nomura said Jianyin's new bonds should trade a touch wider than SDIC's given Jianyin has slightly weaker standalone fundamentals and the bonds have a longer duration by 1.3 years compared to SDIC's 2024s and 2029s. It put fair value at Treasuries plus 140bp for the five-year and 160bp for the 10-year.

Final orders for Jianyin's five-year bonds were over US\$3.2bn from 99 accounts, including US\$2.1bn from the leads.

The 10-year piece attracted final orders of over US\$3.6bn from 143 accounts, including US\$1.465bn from the leads.

Both tranches were trading about 2bp–3bp tighter last Friday morning. The expected ratings are A2/A+ (Moody's/Fitch).

BANK OF JINZHOU RESUMES PAYMENTS

BANK OF JINZHOU, the first Asian bank to skip a coupon payment on Additional Tier 1 securities, plans to resume the distribution of dividends on its US\$1.5bn 5.5% offshore preference shares following a bailout from Chinese authorities.

In a stock exchange filing, the Liaoning-based city commercial bank proposed to distribute the dividends on its offshore AT1s on October 27, after the plan was approved at a board meeting on August 20. The dividend period was from October 27 2019 to October 26 2020.

The dividends amount to US\$91.42m, of which US\$82.28m will be paid to the AT1 holders and the remainder will be withheld income tax.

Bank of Jinzhou halted offshore AT1 dividend payments for the October 27 2018 to October 26 2019 period after its capital adequacy ratios fell below regulatory requirements.

The Hong Kong-listed Chinese lender has launched a recapitalisation plan led by China's central bank, including capital injections through private share placements, the sale of assets and the issuance of debt instruments.

The bank reported a net profit of Rmb406.6m (US\$58.9m) for the first half ended June 30 2020, compared with a loss of Rmb998.6m over the same period last year.

As at end-June 2020, the bank's capital adequacy ratio, Tier 1 capital adequacy ratio and Core Tier 1 capital adequacy ratio were 9.06%, 6.94% and 5.50%, an improvement on the end-December 2019 ratios of 8.09%, 6.47% and 5.15%, respectively.

ALL INTL EMERGING MARKETS BONDS

BOOKRUNNERS: 1/1/2020 TO DATE

Asia-Pacific				
	Managing bank or group	No of issues	Total US\$(m)	Share (%)
1	HSBC	188	20,996.81	8.5
2	Citigroup	108	14,978.54	6.1
3	Standard Chartered	121	13,112.49	5.3
4	Bank of China	138	10,667.45	4.3
5	UBS	99	10,448.32	4.2
6	JP Morgan	83	9,028.63	3.7
7	Bank of America	56	8,611.76	3.5
8	Credit Suisse	85	8,177.64	3.3
9	Goldman Sachs	52	7,836.19	3.2
10	Credit Agricole	71	7,447.50	3.0
	Total	543	246,686.77	

Excluding equity-related debt.

Source: Refinitiv

SDC code: L4

CHINA HUIYUAN JUICE DEFAULTS

CHINA HUIYUAN JUICE GROUP said it defaulted on its US\$200m 6.5% bonds that matured on August 16 because its cashflow has been adversely affected by the Covid-19 pandemic.

The struggling Hong Kong-listed Chinese juice maker had missed the interest payment on March 17 following a 30-day grace period.

In a stock exchange filing, Huiyuan said it could not advise on the exact date of the repayment of the outstanding principal amount and the interest payment given the uncertainty caused by the pandemic.

It said it was still exploring various financing channels to fund its payment obligations and is "contemplating certain restructuring matters", which may involve the notes, in order to improve its liquidity position.

The company's shares have been suspended from trading since April 3 2018 after it violated several Hong Kong listing rules over the disclosure of loans to a company majority-owned by its chairman.

CMIG UNIT SEEKS EXTENSION

BOOM UP INVESTMENTS, a subsidiary of **CHINA MINSHENG INVESTMENT GROUP**, has announced a new proposal to amend terms of its US\$420m 3.8% bonds, which were supposed to be redeemed on August 2 2020.

The bonds were issued by Boom Up with a keepwell deed and liquidity support deed from CMIG. They were originally due to mature in August 2019, but the issuer won bondholder consent to extend the maturity date by a year.

On July 24 this year, the issuer launched a consent solicitation under which it proposed to extend the maturity of the bonds by a year to August 2 2021, and repay US\$50m of the principal on December 31 2020 and US\$50m on June 30 2021, plus accrued

ALL INTL EMERGING MARKETS BONDS

BOOKRUNNERS: 1/1/2020 TO DATE

	Managing bank or group	No of issues	Total US\$(m)	Share (%)
1	Citigroup	188	44,279.70	8.7
2	HSBC	245	39,465.40	7.8
3	JP Morgan	179	38,261.80	7.5
4	Standard Chartered	160	27,493.86	5.4
5	Goldman Sachs	99	25,425.00	5.0
6	Deutsche Bank	96	23,875.63	4.7
7	BNP Paribas	109	21,949.58	4.3
8	Bank of America	101	21,009.82	4.1
9	Credit Agricole	91	14,276.91	2.8
10	Credit Suisse	102	13,191.07	2.6
	Total	813	507,731.36	

Excluding equity-related debt.

Source: Refinitiv

SDC code: L1

interest. In return, it asked for a waiver of the default.

That offer failed to win bondholder approval at a meeting on August 19, so it has made a new proposal. It is still proposing to extend the maturity of the bonds by one year, but is now willing to pay US\$100m on December 31 2020, US\$50m on March 31 2021 and US\$150m on June 30 2021.

Boom Up said the increased offer was intended to persuade more bondholders to participate and would be funded by cash from expected asset sales.

The offer expires on September 8.

Admiralty Harbour is solicitation agent and Kirkland & Ellis is legal adviser.

Private investment company CMIG triggered a cross-default on its offshore bonds in April 2019 after a late repayment on onshore debt. China Construction Bank was then forced to repay a US\$300m bond that matured in June under the terms of a standby letter of credit after Boom Up failed to make the payment.

SHANDONG COMMERCIAL HIRES

SHANDONG COMMERCIAL GROUP has mandated banks to arrange an investor conference call on August 24, ahead of a proposed US dollar bond offering.

Zhongtai International, Orient Securities (Hong Kong), Huatai International, CLSA and Guosen Securities (HK) are global coordinators.

They are also bookrunners and lead managers with SDG Securities (HK), Bank of East Asia, ABC International, CMBC Capital, SinoPac Securities (Asia) and SPDB International.

A US dollar Reg S senior unsecured bond offering may follow.

Wholly owned subsidiary Fuyuan Worldwide would issue the proposed bonds with a guarantee from Shandong Commercial Group.

Shandong Commercial Group has retail, pharmaceutical and property development businesses. Its retail arm operates department stores, convenience stores, shopping centres and electrical appliance shops.

Shandong Provincial State-owned Assets Supervision and Administration Commission holds around a 70% stake in the company.

SHANDONG GUOHUI PLANS FIVE-YEAR

SHANDONG GUOHUI INVESTMENT has hired banks for a proposed offering of benchmark-sized five-year US dollar Reg S bonds.

Zhongtai International, Huatai International, Bank of China, Industrial Bank Hong Kong branch, China Minsheng Banking Corp Hong Kong branch, CMB International, Central Wealth Securities Investment and Orient Securities (Hong Kong) are global coordinators.

They are also lead managers and bookrunners with ABC International, China Everbright Bank Hong Kong branch, China International Capital Corp, China Industrial Securities International, CLSA, CMB Wing Lung Bank, Shanghai Pudong Development Bank Hong Kong branch and Shenwan Hongyuan HK.

The proposed bonds will be issued by wholly owned subsidiary Guohui International (BVI) and guaranteed by the state-owned parent company. The bonds have an expected BBB+ rating by

Fitch. The issuer is rated Baa2/BBB+ (Moody's/Fitch).

The deal may launch as early as Monday.

Established in 2016, Shandong Guohui has a strategic role in the reform and restructuring of SOEs in Shandong province. It owns equity in SOEs involved in transportation, engineering, and financial and operating leasing.

Shandong Guohui issued two US dollar bonds last year. It priced a US\$800m 4.37% three-year bond at par last July and a US\$300m 4.37% three-year bond at par in August.

SBI smashes Tier 2 rupee record

INDIA Big bank capital offering will lift capital adequacy ratio to 13.9%

STATE BANK OF INDIA kicked off its latest fundraising programme in style, printing the largest-ever subordinated bond in rupees as it strengthened an already strong capital ratio.

India's biggest public sector bank issued Rs89.31bn (US\$1.2bn) of 15-year Basel III-compliant Tier 2 bonds, exceeding the previous record of Rs50bn. Despite the large size, the securities priced at an attractive 6.80%, with a call option after 10 years.

The deal's success is good news for India's banks. Many are lining up bond offerings after the central bank announced a one-off window earlier this month allowing banks to restructure loans hit by the Covid-19 pandemic without immediately recognising them as bad debts.

"Other public sector banks are contemplating to sell subordinated and Additional Tier 1 bonds after SBI's successful issuance," said Ajay Manglunia, managing director at JM Financial.

UNION BANK OF INDIA, INDIAN BANK and CANARA BANK are planning to raise up to Rs40bn combined from Basel III-compliant Additional Tier 1 bonds, according to market sources. The perpetual notes will have a call option after five years.

SBI also has board approval to sell up to Rs40bn of AT1 capital. Government approval is pending.

Long-only investors, including state-run Life Insurance Corp and Employees' Provident Fund Organization are understood to have taken up a substantial part of SBI's latest issue, which received bids totalling Rs132.89bn. Mutual funds also participated.

STATE SUPPORT

Indian public sector banks will need Rs1.9trn–Rs2.1trn in external capital over the next two years to restore loss-absorbing buffers as the Covid-19 crisis erodes asset quality. Non-performing loans are expected to rise to 14.5% of banking assets by March 2022 from 11.0% as of March 2020, which will drive up credit costs, Moody's said in a note on August 21.

"The most likely source of capital to plug these capital shortfalls is the government, despite its completion of a large recapitalisation just a few months ago," wrote Moody's. The government

has yet to announce such plans, but sources say some public sector banks have made requests for more capital.

The stock market is an option for some banks, but analysts expect the government to resist dilution while bank valuations are depressed.

The Reserve Bank of India is allowing lenders to restructure loans hit by the Covid-19 pandemic in part to head off a sudden spike in non-performing assets once the six-month moratorium on loan repayments ends on August 31.

The restructuring scheme has given banks an opportunity to build capital buffers while they delay the full recognition of the coronavirus pandemic's impact on loan portfolios, said Fitch in a note dated August 11.

However, for state-owned banks, the RBI's move is likely to be insufficient to mitigate risks without further capital support from the government. Banks still have to set aside 10% provisions for restructured loans under the scheme. Fitch warned that state-owned banks would struggle to maintain a 6.125% common equity Tier 1 ratio under a high-stress scenario.

SBI's overall capital adequacy ratio was 13.4% at the end of June, well above regulatory requirement of 11.50% as of September 30. It reported a CET1 ratio of 10.14%.

"Since it is a systematically important bank, it needs to maintain higher capital than 11.50%," Anil Gupta, vice-president – financial sector at Icrs said. The Tier 2 bond offering will increase the capital adequacy ratio by around 50bp to 13.9%, according to analysts.

In July, SBI's board approved plans to raise Rs210.15bn of Tier 2 bonds. The lender plans to use Rs110.15bn of proceeds to redeem Tier 2 notes of the same amount with call dates in fiscal year 2021 and the remainder to grow its balance sheet. The lender posted an 81% increase in net profit for the June quarter to Rs41.9bn compared to a year ago.

SBI Capital Markets was the arranger for the deal. The Tier 2 notes are rated AAA by Care and Crisil Ratings.

Krishna Merchant

INDIA

FUTURE ENTERPRISES DEFAULTS ON BONDS

FUTURE ENTERPRISES, owned by Indian billionaire Kishore Biyani, failed to make an interest payment on rupee bonds due on August 16.

The retailer said in a release on the BSE that its efforts to mobilise funds to make the payment led to the delay in reporting the default.

The total outstanding amount on the bonds is Rs2.65bn (US\$35m). The bonds had a coupon of 9.60% or Rs126.5m, payable on a half-yearly basis from February 16 and August 16 each year.

Care Ratings has cut the rating on the rupee notes to default, citing a weakening of the retailer's business and financial risk profile caused by India's extended lockdown to contain the Covid-19 pandemic.

Investors are now waiting to see if Future Retail, also owned by Biyani, can make the coupon payment on its debut dollar bonds

GLOBAL EMERGING MARKETS BOND DETAILS: WEEK ENDING 21/8/2020

Pricing date	Issuer	Amount	Maturity	Coupon (%)	Reoffer	Spread (bp)	Yield (%)
ASIA							
Aug 17 2020	Li & Fung	US\$100m incr (US\$400m)	Aug 18 2025	4.5	100	-	4.5
Aug 17 2020	Vedanta Resources	US\$1.4bn	Aug 21 2023 amortising (Aug 2022)	13	100	-	13
Aug 17 2020	Shui On Land	US\$500m	Aug 22 2024 (Aug 2022)	6.15	100	-	6.15
Aug 17 2020	Olam International	S\$400m	Feb 24 2026	4	100	SOR+344	4
Aug 17 2020	Ascendas REIT (green)	S\$100m	Aug 26 2030	2.65	100	SOR+180	2.65
Aug 18 2020	Hysan	US\$300m	Perpetual (Aug 2023)	4.85	100	-	4.85
Aug 18 2020	Yibin State-owned Assets Management	US\$140m	Aug 21 2023	3.9	100	-	3.9
Aug 18 2020	ICBC Financial Leasing	US\$900m	Aug 25 2025	1.75	99.976	T+147.5	1.755
Aug 18 2020	Yangzhou Urban Construction	US\$300m	Aug 24 2023	3.02	100	-	3.02
Aug 18 2020	Korea Development Bank	A\$200m	Aug 25 2023	3mBBSW+62	100	3mBBSW+62	-
Aug 18 2020	Korea Development Bank	A\$300m	Aug 25 2023	0.833	100	ASW+62	0.833
Aug 19 2020	Wynn Macau	US\$250m incr (US\$1bn)	Jan 15 2026 (Jun 15 2022)	5.5	100.25	-	5.433
Aug 19 2020	Wynn Macau	US\$600m	Aug 16 2028 (Aug 26 2023)	5.625	100	-	5.625
Aug 20 2020	Hongkong Electric	US\$500m	Aug 27 2030	1.875	99.268	T+130	1.956
Aug 20 2020	China Jianyin Investment	US\$500m	Aug 27 2025	1.5	99.923	T+125	1.516
Aug 20 2020	China Jianyin Investment	US\$400m	Aug 27 2030	2.125	98.922	T+160	2.246
Aug 20 2020	Nan Fung	US\$500m	fxd (T+345 area)	3.625	99.394	T+305	3.698
Aug 20 2020	RCBC	US\$300m	Perpetual (Aug 2025)	6.5	100	-	6.5
Aug 20 2020	Shaanxi Xixian New Area Airport New City Development	US\$92m incr (US\$142m)	May 25 2023	6.5	100	-	6.5
Aug 20 2020	Nanjing Jianbei New Area Industrial Investment	US\$200m	Aug 24 2021	3.7	100	-	3.7
EEMEA							
Aug 20 2020	Qatar National Bank (Formosa Dim Sum)	Rmb750m	Mar 9 2026	3.5	100	-	3.5
LATIN AMERICA							
Aug 11 2020	CAF (green)	SFr350m	Sep 4 2025	0.7	100.049	MS+125	0.69
Aug 17 2020	Bermuda	US\$675m	Aug 20 2030	2.375	99.885	T+170	2.388
Aug 17 2020	Bermuda	US\$675m	Aug 20 2050	3.375	99.719	T+195	3.39

within the grace period that expires on August 22.

The first coupon payment of US\$13.4m on the US\$500m 5.6% 2025 bonds was due on July 22, but the company proposed to make the coupon payment within 30 days from the interest due date, citing the terms of the bond offering. It did not elaborate on where

the funds would come from. Future Retail operates more than 1,500 stores in India and owns several supermarket brands, including budget department and grocery chain Big Bazaar.

Shares of Future Retail have rallied 14% in the past week following news reports that oil-to-telecoms conglomerate Reliance

Industries is close to acquiring Future Group's retail unit.

JAIN HIRES ELARA TO ADVISE

JAIN IRRIGATION SYSTEMS has hired *Elara Capital* to advise on a potential restructuring of its US\$200m 7.125% green bonds due 2022,

Pricing steps	NIP (bp)	Book size	Ratings	Bookrunners	Distribution
4.5% #	-	-	Baa3/BBB/-	Miz/StCh	-
13.25% area	-	US\$2.4bn	B3/B/-	Barc/CS/DB/JPM/StCh	APAC 63%, EMEA 11%, US 26%. FM 93%, PB/Corp 4%, Other 3%.
6.5% area	3	US\$1.5bn	unrated	StCh/UBS	Asia: 90%, EMEA: 10% AM/FM/HF: 55%, PB: 42%, Bank/Corp: 3%
4.25% area	-	-	Unrated	ANZ/CS/DBS/HSBC(B&D)/StCh	-
2.85% area	-	S\$650m	A3/-/-	OCBC	SG 97%, Other 3%. AM/Ins/HF 80%, Bks/Corp 11%, PB 9%
5.3% area	-	US\$2.9bn	A3/-/-	HSBC/JPM/Miz/UBS	ASIA 94%, EMEA 6% AM/FM 50%, INS/PF 16%, PB 32%, OTHER 2%
4.3% area	-	-	unrated	Central/CMBCHK/Industrial/DBS/WingLung/Guoyuan/Zhongtai	-
T+150 (+/-2.5)	-	US\$3bn	A2/A/-	ICBC/ANZ/BoC/BoCom/BNPP/CCBI/GS/HSBC/JPM/Miz	Asia: 82%, Europe: 18% FM: 50%, Banks: 47%, PB/Corp/Other: 3%
3.7% area	-	US\$2.7bn	-/-/BBB	CMBCHK/Haitong/Industrial/CISI/CICC/Cinda Intl/CLSA/WingLung/Huatai/SPDB	Asia 99%, Europe 1% BANK/FI 59%, AM/FM/LF 33%, HF/PB/OTHERS 8%
3mBBSW+70 area, 3mBBSW+68 area	-	-	Aa2/AA/AA-	ANZ/KDB Asia/MUFG/NAB	-
ASW+70 area, ASW+68 area	-	-	Aa2/AA/AA-	ANZ/KDB Asia/MUFG/NAB	-
100 area	-	Combined US\$2.4bn	B1/BB-	DB/BoC Macau /BoCom/BNPP/BOCI/BofA/DBS/ICBCA/JPM/Scotia/SMBC Nikko/UOB	-
5.75% area	-	Combined US\$2.4bn	B1/BB-	DB/BoC Macau /BoCom/BNPP/BOCI/BofA/DBS/ICBCA/JPM/Scotia/SMBC Nikko/UOB	-
T+135 area	-	-	-/A/-	BNPP/Citi/HSBC(B&D)/Miz/MS/SMBC Nikko/UBS	-
T+180 area	-	US\$3.2bn	A2/-/A+	BoC/BofA/Cinda Intl/HSBC/ICBCA/Miz/ABCHK/BoCom/Barc/CNCBI/CCBA/Everbright HK/CICC/CMBCHK/CLSA/WingLung/GS/ICBC Sing/Natx/SPDB/UBS	Asia 96%, Europe 4% Bank/FI 69%, FM 30%, PB 1%
T+210 area	-	US\$3.6bn	A2/-/A+	BoC/BofA/Cinda Intl/HSBC/ICBCA/Miz/ABCHK/BoCom/Barc/CNCBI/CCBA/Everbright HK/CICC/CMBCHK/CLSA/WingLung/GS/ICBC Sing/Natx/SPDB/UBS	Asia 93%, Europe 7% FM 45%, Bank/FI 35%, Ins/Public Sector 19%, PB 1%
T+345 area	-	US\$2bn	Baa3/BBB/-	HSBC(B&D)/GS/JPM/UBS	Asia 98%, Europe 2% / FM 47%, PB 27%, Ins 15%, Bank 6%, Corp 5%
6.75% area	6.5	US\$600m	Ba3/-/-	CS	AMs: 59% HF: 17% PBs: 24% / Asia: 79% Europe/ME: 21%
6.5% #	6.5	-	unrated	Shenwan Hongyuan/Huatai Wilson	-
4.15% area	-	-	-/-/BBB	CICC/Huatai /BoC/CMBC/CLSA/CNCBI/Orient	-
3.5	-	-	Aa3/-/-	StCh Taiwan	-
MS+125/135, MS+125/130	-	-	A3/A+/A+	CS/ZKB	CS: Swiss 100%. AM 71.44%, Ins 13.88%, Retail/PB 9.38%, Pens 5.31%. ZKB: Banks (Retail/PB) 45%, AM 39%, Ins 9%, Pens 6%
T+212.5bp area, T+170bp (the #)	-	-	A2/A+	GS/HSBC	-
T+237.5bp area, T+195bp (the #)	-	-	A2/A+	GS/HSBC	-

following its default on a coupon payment due in February.

Earlier this month, an ad hoc group of bondholders hired *Kirkland & Ellis* as legal counsel and *Deloitte* as financial adviser.

Wholly owned subsidiary Jain International Trading BV issued the bonds in 2017 with a guarantee from the Indian parent company, which manufactures irrigation systems.

In October, Fitch cut Jain to RD, for restricted default, from CCC– after it defaulted on bank loans and lenders began an out-of-court debt resolution process. It also lowered the ratings of the bonds to C from CCC–.

The same month, S&P lowered Jain to SD, for selective default, from CCC, and cut it further to D for default in March this year.

The bonds were bid at a cash price of 25 on Wednesday, according to Refinitiv data.

SOUTH KOREA

KT CORP HOLDS INVESTOR CALLS

KT CORP held investor calls starting on August 19 for a proposed Eurobond.

The company, rated A3/A–/A–, held the calls via *BNP Paribas*, *Citigroup*, *Credit Agricole*, *HSBC* and *Standard Chartered* for a US dollar bond offering with a short to intermediate maturity.

The telecoms company previously visited the international bond market in July 2019 to print a dual-tranche Samurai bond. The company last issued a US dollar bond in 2017 when it raised US\$400m from a five-year note.

SHINHAN FINANCIAL PLANS TIER 2

SHINHAN FINANCIAL GROUP, rated A1/A, plans to raise up to US\$500m from Tier 2 notes, according to a filing on August 13.

The proposed offering could come to the market this year or early next year, said an official at the South Korean financial holding company.

In another filing on the same day, the company also laid out plans to print up to W500bn (US\$422m) of Additional Tier 1 capital.

EUROPE/AFRICA

TURKEY

EXCHANGE RATE SETS TONE FOR COUNTRY'S FORTUNES

TURKEY's bonds experienced another fluctuating week as the currency's fortunes continue to set the tone for the country's assets.

The March 2030s were bid at a yield of 6.88% on Friday despite the central bank deciding to keep the main policy rate on hold at 8.25% on Thursday, much to the disappointment of analysts albeit they were not expecting anything different.

The median estimate in a Reuters poll of 16 economists was for the central bank to keep the one-week repo rate at 8.25%.

On Thursday the sovereign's 2030s were bouncing around, hitting an intraday low of 6.91% and a high of 7.13% before settling around that 7% mark. During the course of the week the bond was quoted as high as 7.24%.

But while the sovereign's bonds were a bit volatile the main focus remains on the currency.

RCBC seals first Philippines AT1

BANK CAPITAL Deal prices in line with fair value

RIZAL COMMERCIAL BANKING CORP has set a landmark for the Philippines banking sector, raising US\$300m from the country's first US dollar Additional Tier 1 issue under Basel III.

The Baa2 rated bank's offering of perpetual non-call five AT1 notes was priced at par to yield 6.5%, inside initial guidance of 6.75% area.

The deal from the country's eighth-largest bank sets the stage for more AT1 issuance in the South-East Asian market. Among the comparable credits used when pricing the offering was the first AT1s from Thailand issued by TMB Bank, formerly known as Thai Military Bank, in November.

The Thai bank's notes, rated Ba3 by Moody's, were trading around 6.5%, according to Tradeweb prices. RCBC's AT1s also have an expected rating of Ba3.

A DCM banker away from the deal said final pricing was in line with fair value, but said RCBC had been eyeing a much lower yield, based on the extremely tight yields achieved by Philippine corporate issuers recently.

However, the yield seemed reasonable, given that other larger banks in the Philippines, such as BDO Unibank and Metropolitan Bank & Trust, have senior bonds trading in the low-2% range. In more mature bank capital markets, AT1s typically trade at a spread of around 350bp–400bp over senior unsecured notes.

"The onshore bid usually drives tight pricing for corporate bonds from the Philippines, but investors would look more at AT1 comparables," he said.

Some analysts had expected it to pay more: independent research house CreditSights had estimated fair value at around 8% for the new issue.

The new notes traded up on their first day, last quoted at a yield of about 6.3%.

The subordinated unsecured Reg S notes were two times covered, receiving final orders of over US\$600m. Orders peaked at more than US\$825m at the time final guidance was announced at 6.5%.

The issue size was capped at US\$300m due to regulatory approvals.

The securities will be written down if the Philippine central bank deems the issuer to be unviable without a write-off or capital injection, but

there is no trigger linked to the bank's minimum core equity Tier 1 ratio – unlike in some jurisdictions.

Coupons will be reset at the first call date and every five years thereafter to Treasuries plus the initial spread. They can be cancelled at the bank's discretion and are non-cumulative.

Coupon payments will also be stopped if the bank breaches regulatory capital requirements, has insufficient distributable profits, or if the regulator orders it. There is a dividend stopper but no coupon step-up.

RCBC's capital adequacy ratio stood at 13.8% at the end of the first quarter, down 2.4 percentage points from March 31 2019. Its core equity Tier 1 ratio was 12.9%, down half a percentage point.

Philippine Basel III standards require banks to maintain a minimum capital adequacy ratio of 10% plus a capital conservation buffer of 2.5%, which must be in the form of core equity Tier 1 capital on top of the minimum 6.0% CET1 ratio.

OFFSHORE APPEAL

RCBC has been raising funds from the onshore bond market recently as part of its efforts to grow its loan business, with the bonds issued since 2019 totalling Ps54.17bn (US\$1.1bn).

While local banks have in the past preferred to meet their Tier 1 capital requirements by selling equity, the bank decided to go offshore because it did not want to dilute its shareholders, according to a source close to the deal.

RCBC's market cap stands at about US\$652m.

Offshore yields are also attractive relative to the onshore market, where BDO Unibank raised Ps40.1bn from a 2.5-year bond issue in February at a coupon of 4.41%, the country's biggest corporate bond offering on record.

The new AT1s also benefited from the issuer's powerful backer. Yuchengco Group of Companies, one of the largest family-owned conglomerates in the Philippines, is RCBC's majority shareholder.

Asia bought 79% and the rest went to investors from Europe and the Middle East. Asset managers took 59%, private banks 24% and hedge funds 17%.

Credit Suisse was sole global coordinator and bookrunner.

Jihye Hwang

Earlier in the week it hit a new low against the US dollar of 7.40% before firming up to 7.22 on Wednesday after President Tayyip Erdogan told an energy-related event that he would be announcing “good news” on Friday that will open a “new period” in Turkey.

While Erdogan did not elaborate, a source told Reuters his statement was related to Turkey’s discovery of energy resources in two separate locations in the Black Sea, one of which was of a significant size.

Whether the gas find proves significant or not, there are other pressing matters facing the authorities.

The lira, for example, traded down to 7.34 following the central bank’s decision on rates.

After the announcement, Tim Ash, EM sovereign strategist at BlueBay wrote the CBRT had “learned nothing from 2018” when the lira last went through a crisis and that the decision appeared to re-affirm that president Erdogan “still runs monetary policy”.

“We have seen the movie, got the T-shirt, eaten the popcorn. The guys at the CBRT must have been asleep during the last viewing,” he said.

The central bank said it would continue a “cautious monetary stance” and that “recent tightening steps taken in liquidity management are judged to support macrofinancial stability”.

The policy rate is sharply below annual inflation at 11.76%. The central bank said upward pressure on inflation would eventually “phase out” along with the impact of the novel coronavirus.

Yet it acknowledged that “exchange rate and credit developments restrain the demand-side disinflationary effects”, raising inflation trends.

The central bank has focused more on back-door measures that have tightened credit and slowed the currency’s decline.

By Friday morning the market was once again calmer with the lira quoted at 7.24 against the dollar, though that was partly

because of dollar weakness as well as expectations around the gas find.

UKRAINE

SOVEREIGN TACKLES WARRANTS LIABILITIES

UKRAINE bought back about 10% of its GDP-linked warrants, implementing the government’s strategy to reduce debt pressure on the budget in coming years, the finance ministry said on August 14.

Ukraine’s government included US\$3.6bn in GDP warrants in its 2015 sovereign debt restructuring after investors agreed to write off 20% of the value of their original holdings.

“The Ministry of Finance may undertake, at any time and from time to time, the repurchase, cancellation or exchange of additional outstanding securities of Ukraine, including the GDP-linked securities, in open-market purchases, privately negotiated transactions or otherwise depending on prevailing market conditions,” the ministry said.

The warrants were quoted at 86 cents on the dollar when the buyback was done but shot up to a post-Covid-19 high of 94 towards the end of last week. They were quoted in the low 50s in March. In mid-February they were at 108.

Although Ukraine’s economy is forecast to shrink this year – the government expects a 4.8% drop in 2020 – a rebound in 2021 is expected and the government is targeting economic growth of 4.6% next year.

“Positive development – we have been telling them to do that for a year or so,” said Tim Ash, senior EM sovereign strategist at BlueBay on the warrants buyback.

The warrants will make payouts once Ukraine’s economy grows to US\$125.4bn and GDP growth per year rises above 3%. The payouts become bigger if growth goes above 4%.

“Trying to retire these instruments is entirely logical,” said Ash.

ALL INTL EMERGING MARKETS BONDS

BOOKRUNNERS: 1/1/2020 TO DATE

Middle East

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 Standard Chartered	31	12,121.34	14.1
2 Citigroup	25	10,802.57	12.5
3 HSBC	29	9,961.75	11.5
4 Goldman Sachs	9	8,707.04	10.1
5 Deutsche Bank	10	5,878.94	6.8
6 JP Morgan	15	4,619.63	5.4
7 Bank of America	5	3,784.54	4.4
8 Credit Agricole	12	3,725.24	4.3
9 First Abu Dhabi	13	3,482.67	4.0
10 BNP Paribas	6	2,785.69	3.2
Total	92	86,257.03	

Excluding equity-related debt.

Source: Refinitiv

SDC code: L5

MIDDLE EAST

QATAR

QNB SELLS DIM SUM FORMOSA

QATAR NATIONAL BANK has priced Rmb750m (US\$108m) 5.5-year senior unsecured bonds denominated in offshore renminbi at par, to yield 3.5%, unchanged from price guidance.

The Dim Sum Formosa bonds, to be issued off a US\$17.5bn MTN programme, have an expected Aa3 rating by Moody’s. They will be listed on the London Stock Exchange and the Taipei Exchange.

QNB Finance is the issuer and the government-owned bank is the guarantor.

Standard Chartered Bank (Taiwan) was sole lead manager on the offering.

QNB, rated Aa3/A+, is an active issuer in the CNH market. It priced a Rmb1.2bn 3.85% five-year Formosa bond on June 22, following a Rmb1.2bn 3.80% five-year bond priced on June 3.

AMERICAS

ARGENTINA

PROVINCE OF CHACO DOWNGRADED ON MISSED BOND PAYMENT

The PROVINCE OF CHACO has had its ratings slashed three notches to C by Fitch after it skipped a payment on its 2024 bond.

The Argentina province was due to pay US\$11.7m on August 18 on its 9.375% senior unsecured 2024 notes.

But it announced its intent to miss the payment and propose new terms to bondholders, citing the negative macroeconomic backdrop caused by the Covid-19 pandemic, Fitch said on Thursday.

The 9.375% notes were trading at a price of around 42.50 as of Thursday afternoon, according to Refinitiv data.

Along with the issuer downgrade, the ratings agency also downgraded the notes to the same C rating as the issuer, from CCC.

“The rating actions taken reflect Chaco’s insufficient liquidity to cover 2020 debt service,” said Fitch in the report.

Additionally, the province depends on federal transfers from the federal co-participation tax-sharing regime, which represents about 85% of its total revenues.

With the national GDP for Argentina expected to drop more than 11% this year,

ALL INTL EMERGING MARKETS BONDS

BOOKRUNNERS: 1/1/2020 TO DATE

Europe/Africa

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 JP Morgan	38	13,149.74	16.0
2 Citigroup	27	10,714.18	13.0
3 BNP Paribas	17	7,101.69	8.6
4 Deutsche Bank	11	4,833.61	5.9
5 SG	14	4,665.53	5.7
6 HSBC	14	3,984.54	4.8
7 Barclays	9	3,520.29	4.3
8 UniCredit	10	3,314.37	4.0
9 ING	9	3,218.82	3.9
10 Erste Group	6	2,982.31	3.6
Total	72	82,287.19	

Excluding equity-related debt.

Source: Refinitiv

SDC code: L2

Fitch said its “weak” assessment took into account the vulnerability of the federal transfer programme.

Province of Chaco is within its 30-day cure period and announced that it would propose new agreements for its bondholders.

The province issued US\$250m of the 2024s in a debut offering in 2016 when it was rated Caa1/B by Moody’s and S&P, according to IFR data.

BERMUDA

SOVEREIGN PRINTS UPSIZED DOLLAR DEAL

The Government of **BERMUDA** priced an upsized two-part dollar deal last Monday, taking advantage of favourable market conditions as investors seek to put cash to work.

Bermuda, rated A2/A+, raised US\$1.35bn through 10 and 30-year notes.

Final spreads on the notes were set at Treasuries plus 170bp on a new US\$675m 10-year bond and a 195bp spread on a US\$675m 30-year tranche.

Pricing was tightened inside initial price thoughts in the plus 212.5bp and plus 237.5bp areas, respectively.

Originally, the sovereign was expected to price about US\$500m, said a financial adviser following the transaction.

“I’m not surprised the deal is doing well, people are desperate for decently rated paper from the Caribbean,” he said.

“The price is expensive, however. But people like the credit, it’s a quality name and investment grade.”

Investors have been buying higher-yielding emerging market credit as historically low interest rates depress yields across fixed income.

A number of investment-grade EM credits have issued in recent weeks, including Chile’s **EMPRESA FERROCARILES DEL ESTADO, AES PANAMA** and **BANCO NACIONAL DE PANAMA**.

Scarcity value may have also contributed to demand in the Bermuda transaction as the island has been an irregular issuer of dollar debt.

It was last in the market in November 2018, when it sold US\$620m of a 10-year 4.75% note.

Prior to its 2018 issuance, it had not sold dollars since 2013.

Its 3.717% January 2027 bond was trading at a price of 109.286 to yield 2.117% earlier this month, according to MarketAxess data.

Part of the proceeds of Monday’s transaction will go towards buying back around US\$537m of its 4.138% 2023s, 4.854% 2024s, 3.717% 2027s and 4.750% 2029s.

Proceeds will also go towards funding other fiscal and debt obligations and to contribute to the government’s sinking fund.

The deal was led by *Goldman Sachs* and *HSBC*.

MEXICO

BRASKEM IDESA BONDS DROP AFTER AMLO TALKS OF CANCEL CONTRACT

BRASKEM IDESA saw its 2029 bond drop by over two points in the secondary market last Tuesday, following comments by Mexican President Andres Manuel Lopez Obrador regarding one of the company’s contracts with Pemex.

Braskem’s 7.45% 2029 bond fell to a cash price of 93.125 as of Tuesday afternoon, down from Monday’s 95.25 close, according to MarketAxess.

The contract in question is an ethane supply deal between the Mexican state-owned oil company Pemex and Braskem Idesa, a joint venture between Brazilian company Braskem and Mexico’s Grupo Idesa.

“That contract has to be cancelled in my opinion because it’s unfair,” Lopez Obrador said at a news conference on Monday.

As per the contract, Pemex has supplied ethane to Braskem Idesa at below market prices.

The contract is a 20-year agreement which was signed in 2010 between the two parties, where Pemex agreed to sell ethane at around 16 cents per gallon.

At the time, the market price for ethane stood at around 50 cents per gallon, according to a Reuters report.

President Lopez Obrador has on various occasions said that the deal, which was signed under former Mexican President Felipe Calderon, was unfair and it should be cancelled.

Calls for its cancellation are widely thought to be political and it remains unclear how a break in the contract would be handled.

In any case, headline risk surrounding the contract is expected to remain a headwind and further increase pressure on the notes in secondary trading.

“We think these headwinds will increase pressure on the ‘29s, despite likely improved cash generation and deleveraging in H2 2020,” said a Lucrator Analytics report.

Braskem Idesa is rated B+ by S&P.

REGIONAL

CAF BOND HIGHLIGHTS SWISS GREEN CREDENTIALS

When **CAF** upsized its inaugural green Swiss September 2025 bond earlier this month, it offered a glimpse into the sustained growth the Swiss green bond market has experienced this year.

The Latin American regional development bank upsized its 0.7% 2025 note on August 10 by SFr100m to raise SFr350m, reflecting robust investor interest in the deal.

It also tightened pricing to land at a spread of 125bp over swaps, the tight end of the initial range of plus 125bp–135bp.

Coming at a time when there’s a relative lack of Swiss franc supply from international issuers, and the five-year tenor were some of the drivers to the successful outcome.

“After an absence of a couple of years, this inaugural ‘green bond’ transaction for CAF was a perfect way to come back to the Swiss franc market,” said a banker with knowledge of the transaction.

About 47 accounts participated in the deal with banks (both retail and private banking) accounting for about 45%, asset managers 39%, insurers 9%, and pension funds 6%.

The note was issued under CAF’s green bond programme, which it created in 2018. It has issued about US\$950m in green bonds.

In May, it also issued an inaugural social bond raising €700m in a five-year 1.625% bond.

Its first ever green note, however, came in November 2019, when it sold an upsized €750m seven-year bond. However, the Swiss market is becoming a good option for certain issuers.

“The green bond market as well as ESG is continuously developing in Switzerland,” said the banker.

CAF was last in the Swiss market in April 2018 when it sold a SFr115m 0.3% 2025 note.

Those notes were trading at a price of 98.65 to yield 0.642% as last Thursday, according to Refinitiv data.

Eligible projects under the bank’s green bond programme include renewable energy, clean transportation, waste management, and energy efficiency among others.

The deal was led *Credit Suisse* and *Zuercher Kantonbank*. CAF is rated Aa3/A+/A+.

ALL INTL EMERGING MARKETS BONDS

BOOKRUNNERS: 1/1/2020 TO DATE

Latin America			
Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 JP Morgan	38	10,349.77	12.4
2 Citigroup	23	7,053.11	8.4
3 Bank of America	31	6,859.82	8.2
4 Deutsche Bank	10	6,311.66	7.5
5 Goldman Sachs	28	6,276.45	7.5
6 Itau Unibanco	18	5,637.41	6.7
7 Scotiabank	17	5,413.27	6.5
8 BNP Paribas	12	4,763.02	5.7
9 HSBC	13	4,440.36	5.3
10 Santander	17	4,022.97	4.8
Total	94	83,750.60	

Excluding equity-related debt.

Source: Refinitiv

SDC code: L3

■ FRONT STORY EUROPEAN INVESTMENT-GRADE

Testing time for refinancing

› Corporate borrowers to return to market in September

› Lender appetite has altered as a result of Covid-19

European corporate borrowers returning to the loan market in September in the hope of refinancing debt could find that some relationship lenders have stepped back after publishing weak half-year results due to the coronavirus pandemic.

After six months of crisis management, which saw droves of investment-grade corporates tap the loan market for short-term liquidity facilities to shore up finances during the onset of the outbreak, attention has now turned to longer-term refinancing, one of the main drivers of loan market activity.

However, the lending landscape is much changed as lenders seek to recover from the crisis, which has hit banks' profits and balance sheets. Many banks have limited the maturities on loans, while pricing has risen across the board.

"We're making small steps towards normality and we are beginning to see refinancing requests. Many companies have delayed the requests to the final quarter when they expect terms to return to pre-crisis levels," a senior banker said.

In Asia, there have already been some transactions that are structured more or less the same as pre-Covid deals, thanks partly to China's efforts to rebuild the economy, he said.

European borrowers are now looking to mirror those pre-Covid terms on their refinancings.

"We have visibility on a number of European names that are looking to refinance. Some are still just looking for three years (plus two one-year extensions) but a number of them are looking for five-year tenors with two one-year extensions," said a second banker.

Lender appetite will hinge on the creditworthiness of the borrower and the sector it sits in.

"Much depends on the client – for a textbook, big investment-grade company it would be easy enough to get the refi done. Lower down, in the Triple B space, it will be much more of a challenge," a

third banker said. "It also has to be a borrower not effected by Covid-19."

The impact on Triple B rated companies could see many borrowers downgraded to junk, further impacting the appetite of banks to lend over the longer term.

LOST LENDERS

Banks that have been more heavily hit may have to step back from the loan market, retreat to domestic markets or rein in lending activity.

That might not affect larger syndicates for top-grade names where there are often enough banks to make up any shortfall in commitments or where there are new banks ready to step into gaps left by exiting lenders, but smaller relationship bank groups and club syndicates could lose a lot of liquidity and refinancing could be more of a challenge.

"A number of banks have released results that aren't great and they might have to step back from the market," said the third banker.

"If a company has a smaller relationship bank group – say 10 versus 23 banks – if you lose a few banks it could get quite tight, you would lose a lot of liquidity and deals could be more difficult."

Before the crisis, European corporates were securing tenors of five years plus two one-year extension options, effectively seven-year maturities. Those terms are not easily achievable now, and three years with two one-year extensions has become the new market standard.

"People are trying to discover what is possible regarding 5+1+1 – hopefully there will be a clearer view of risk appetite. It's just a case of finding out what works," the third banker said.

REFI TOOLKIT

Limited maturities and rising pricing hit early refinancing activity with many large European companies having the maturity headroom to wait out for improved conditions, while other

options remain available to borrowers that want to avoid a costly full refinancing.

"As with other crises, we have lots of options to work with for each individual borrower, whether that's simply giving them longer to repay, extending maturities and putting in place forward starts," a fourth banker said.

"Much depends on the client – for a textbook, big investment-grade company it would be easy enough to get the refi done. Lower down, in the Triple B space, it will be much more of a challenge"

"This flexibility is key to the loan product."

Companies have been able to amend financings to extend maturities or used pre-existing extension options to push maturities out for a year when conditions might improve.

Companies may also be able to leverage the banks' push towards green transition to achieve longer maturities.

German utility **ENBW** is one of the very few borrowers to have been able to secure a 5+1+1-year maturity on a refinancing. It agreed a €1.5bn refinancing in June, linking the margin of the loan with its sustainability performance. The deal, which was coordinated by BayernLB, BBVA and UniCredit, was committed by a group of 18 banks.

Other companies have managed to get longer tenors through export credit agency-backed financings.

In July, **ROLLS-ROYCE** secured a five-year tenor on its £2bn term loan, helped through a partial guarantee from the UK government's export credit agency, UK Export Finance, while **FORD OF BRITAIN** likewise secured a £625m five-year loan also with a guarantee from UKEF.

Alasdair Reilly, Sandrine Bradley

ASIA-PACIFIC

AUSTRALIA

SCAPE WINS WAIVER

Scape Australia Management has won consent from the majority of its lenders to temporarily waive a covenant on its A\$1.45bn (US\$1.02bn) loan signed earlier this year to cope with the impact of the coronavirus pandemic.

The interest cover ratio covenant, which is tested on a quarterly basis, will be waived until March 2021.

The loan, which backed Scape's acquisition of a portfolio of student housing run by Urbanest, was split into A\$123.4m and A\$360.4m two-year portions, and A\$246.8m and A\$720.7m three-year pieces.

The borrowing offers interest margins of 155bp and 165bp over BBSY for the two and three-year tranches, respectively.

SCAPE URBANEST FINANCE is the borrower.

Commonwealth Bank of Australia, Morgan Stanley and United Overseas Bank were the mandated lead arrangers, bookrunners and underwriters of the four-tranche facility, which attracted 17 other lenders in syndication.

The acquisition target is Australia's largest student accommodation portfolio of 6,805 beds across 14 operating assets in Sydney, Melbourne, Brisbane and Adelaide.

DISTRICT DOCKLANDS GETS WAIVERS

DISTRICT DOCKLANDS PTY has won covenant waivers for a A\$260m five-year loan it signed last year relating to refinancing and capital expenditure of a shopping centre in Melbourne.

The borrower had requested waivers for all the coming Ebitda-related covenant tests for the loan in 2020 and delays in obtaining a valuation report for The District Docklands due to the fallout from the coronavirus pandemic.

The waivers required consent from two-thirds or more (by value) of the deal's lenders.

DBS Bank was the mandated lead arranger and bookrunner of the transaction, which had drawn two other lenders in syndication when the deal closed last year.

It offers an interest margin of 200bp over BBSY and represented a loan-to-value ratio of around 50% at the time.

Australian real estate investment firm *Ashe Morgan* and Singapore-based private equity fund *SC Capital Partners* own The District Docklands, which is located on the

fringes of the central business district of Melbourne.

SBI SYDNEY TAPS FINANCING

STATE BANK OF INDIA SYDNEY has launched a A\$125m (US\$90m) two-year loan into general syndication.

SMBC is the sole mandated lead arranger and bookrunner of the transaction, which offers an interest margin of 90bp over BBSY and has an average life of 1.5 years.

Banks are being invited as arrangers for a top-level all-in pricing of 110bp via a participation fee of 30bp.

Funds are for general corporate and working capital purposes.

SBI Sydney's previous visit to the loan market was in December last year for a A\$140m five-year facility. *MUFG* was the MLAB on that financing.

CHINA

CHEMCHINA SEEKS US\$2bn

State-owned **CHINA NATIONAL CHEMICAL CORP** has asked banks to put in place a US\$2bn loan as a back-up for a larger US dollar bond, while another loan remains in syndication.

Given the current market volatility, ChemChina is asking banks to ready a separate US\$2bn bridge loan, which would be drawn only if the bond issue does not go according to plan.

The company has sent a request for proposals for a bond offering of up to US\$3.2bn with proceeds intended for refinancing.

ChemChina, a frequent borrower in the loan market, has a separate €860m (US\$975m) refinancing currently in syndication.

The deal was launched in June with one, three and five-year tranches, but was later revised to a purely one-year borrowing.

The interest margin was also flexed down to 45bp over Euribor from 85bp originally.

Banco Santander, China Construction Bank (Asia) and Natixis are the mandated lead arrangers and bookrunners of the transaction.

ChemChina is the guarantor, while wholly owned *CNCE Group (Hong Kong)* is the borrower.

ZIJIN MINING BACK FOR US\$800m LOAN

Fujian-based **ZIJIN MINING GROUP** is seeking a US\$800m five-year loan, returning for its second loan of the year.

Credit Agricole CIB is the mandated lead arranger and bookrunner of the transaction, which has been launched into senior syndication.

China Construction Bank Fujian branch joined the deal before the launch of syndication.

The loan offers an interest margin of 150bp over Libor and has an average life of 3.6 years.

Banks committing US\$100m or above will earn an all-in pricing of 165bp, based on an upfront fee of 54bp.

Proceeds are for refinancing and general corporate purposes.

In March, *Zijin Mining* raised a US\$568m six-year loan for its C\$1.33bn (US\$996m) acquisition of Toronto-listed gold mining company *Continental Gold*.

PING AN REAL ESTATE UNIT SEEKS

A unit of property investment platform *Ping An Real Estate* is in the market with a US\$300m three-year bullet term loan.

Deutsche Bank and *Standard Chartered Bank* are the mandated lead arrangers and bookrunners of the transaction, which offers an interest margin of 250bp over Libor. The deal can be increased to up to US\$400m via a greenshoe option.

FUPENG INVESTMENT MANAGEMENT, a Hong Kong-incorporated investment vehicle of *Ping An Real Estate*, is the borrower.

Ping An Real Estate and its wholly owned *Ping An Real Estate Capital* are providing keepwell deeds and the liquidity support undertaking.

Proceeds will be used for refinancing and to fund an interest reserve account.

In April 2019, *Ping An Real Estate Capital* obtained a US\$300m three-year loan from 14 lenders, including *Deutsche Bank Singapore branch* as the sole MLAB.

That facility offered a top-level all-in pricing of 245bp over Libor based on an interest margin of 200bp and an upfront fee of 135bp.

Ping An Real Estate Capital's ultimate parent *Ping An Insurance (Group) Co of China* and intermediate holding company

ASIA-PACIFIC LOANS BOOKRUNNERS – FULLY

SYNDICATED VOLUME (INCLUDING JAPAN)

BOOKRUNNERS: 1/1/2020 TO DATE

	Managing bank or group	No of issues	Total US\$(m)	Share (%)
1	Mizuho	297	71,153.58	21.7
2	MUFG	454	48,321.25	14.7
3	Bank of China	204	39,534.77	12.1
4	Sumitomo Mitsui	363	39,438.30	12.0
5	ANZ	41	8,372.13	2.6
6	HSBC	43	6,647.47	2.0
7	DBS Group	29	6,181.17	1.9
8	China Merchants Bk	15	5,620.97	1.7
9	CBA	21	5,009.27	1.5
10	Citigroup	17	4,873.25	1.5
	Total	1,700	327,796.46	

Proportional credit

Source: Refinitiv

SDC code: S3a

Australia Inc pivots to clubs

■ ASIA-PACIFIC Maturities shorten as pandemic spurs risk aversion

Australian companies are accepting shorter loans from fewer lenders as the coronavirus crisis weighs on risk appetite in the banking sector.

Club loans account for 45.5% of all major Australian financings so far this year, the highest since 2015 and up from 34% in 2019, according to Refinitiv LPC data tracking loans involving more than one lender.

That is a shift from recent years, when lenders were more willing to underwrite a deal on competitive terms.

"Borrowers can be price-sensitive when it comes to underwritten loan structures, particularly when some borrowers already have a supportive group of existing lenders," said Scott Austin, head of loan capital markets, Australia at Sumitomo Mitsui Banking Corp in Sydney.

"For these borrowers it is certainly a feasible option to pursue a club deal by harmonising terms amongst the established group of lenders."

Corporate borrowers are also keen to minimise the risk of a failed deal.

"A lot of borrowers prefer to do club deals or syndications with bigger arranging bank groups, which give them more certainty and safety," said John Corrin, global head of loan syndications at ANZ in Hong Kong.

While syndicated deals help arranging banks manage their risk and borrowers broaden their funding sources, recent travel restrictions and

lockdown measures have made it harder to bring deals to the wider market.

Lenders have also been tied up managing their loan books and dealing with amendments and waivers for existing clients, and may not be actively looking to add risk or expand their customer base.

SHORTER TENORS

Loan maturities have also shortened dramatically Down Under. Tenors between one and three years have been the most popular this year, amounting to US\$27bn of loan volume so far compared with US\$18.3bn of facilities maturing in more than three years and up to five years, according to Refinitiv LPC data.

LENDLEASE GROUP closed an A\$800m two-year syndicated loan in June and raised a A\$990m self-arranged five-year club loan in January for an office tower development in Sydney.

In June, Australian retail property group **VICINITY CENTRES** said it was seeking A\$300m of new short-term facilities and extending A\$650m of existing debt after suspending the syndication process of a A\$300m seven-year loan in March.

STAR ENTERTAINMENT in April obtained a A\$200m 12-month facility with existing banks. In 2018, the casino operator raised a A\$400m syndicated loan with three to five-year maturities.

"There has been a shift from five-years to two or three-years, or even bridge-style deals," said ANZ's Corrin.

"I think we are beginning to go back to normal and will find more five-year deals. It's unlikely that we will see too many seven or 10-year deals that we have seen in previous years."

Longer loans had become more popular in recent years as lower pricing pushed lenders beyond the traditional tenors in search of higher returns. In 2019, Australian borrowers raised US\$20.5bn from loans maturing in more than six years, up from just US\$4.64bn in 2015.

Some bankers expect that trend to resume after the Covid-19 situation stabilises.

"Once banks get through the initial period of volatility in global credit markets and their funding costs and liquidity stabilise, they can start to lengthen tenors on loans to their corporate and institutional customers," said SMBC's Austin.

"We saw a pullback in tenors to two and three years in the March–April period when liquidity was constrained and funding costs were moving," Austin added.

"As markets have stabilised, with assistance from central bank initiatives, tenors are comfortably back out to five years. I don't think it will be too long before we start to see seven-year loans come back for high-grade borrowers in defensive sectors."

Mariko Ishikawa

Ping An Real Estate were keepwell deed providers. The latter also provided a liquidity support deed.

As at December 31 2019, Hong Kong-listed Ping An Insurance (Group) held a 99.59% stake in Ping An Real Estate, which recorded assets under management of approximately Rmb440bn.

■ AN KE TECH LIFTS LOAN

AN KE TECHNOLOGY, the financial and healthcare technology investment arm of Ping An Insurance (Group), has increased its debut three-year loan to US\$565m after exercising an accordion option.

Bank of Shanghai (Hong Kong) and *China Everbright Bank Hong Kong* joined as senior managers, while *Bank of Communications*, *China Development Bank Hong Kong*, *Industrial & Commercial Bank of China Macau* and *Shanghai Pudong Development Bank* came in as lead arrangers. *China Guangfa Bank* and *Nanyang Commercial Bank* joined as arrangers.

China Construction Bank (Asia) was the sole mandated lead arranger and bookrunner of

the transaction, while *Mizuho Bank* came in as MLA.

The deal was launched at a US\$300m size, offering a top-level all-in pricing of 155bp via an interest margin of 140bp over Libor.

Proceeds will be for refinancing and general corporate purposes.

Ping An Insurance is the sole shareholder in An Ke Technology, which was incorporated in 2014 in Hong Kong as an offshore holding company for its parent company's investments in financial and health technology.

An Ke Technology holds stakes in unicorns including Hong Kong-listed healthcare platform Ping An Good Doctor, New York-listed fintech firm OneConnect, electronic health records management system HealthConnect and online wealth management platform Lufax Holding.

In February, Lufax raised US\$1.19bn through a three-year bullet loan that paid a top-level all-in pricing of 148bp based on a margin of 125bp over Libor.

HONG KONG

■ FAR EAST HORIZON UPS LOAN

Hong Kong-listed financial services company **FAR EAST HORIZON** has increased its three-year loan to US\$1.294bn-equivalent from the launch size of US\$1bn, after attracting seven banks in general syndication.

The loan now comprises a HK\$3.392bn tranche and a US\$856m portion.

Bank of East Asia, *China Citic Bank International*, *CMB Wing Lung Bank*, *Hang Seng Bank*, *Mizuho Bank*, *MUFG* and *Nanyang Commercial Bank* were the mandated lead arrangers and bookrunners of the transaction, which offered a top-level all-in pricing of 165bp based on an interest margin of 140bp.

Lenders are *China Development Bank*, *Bank of Communications*, *China Construction Bank*, *United Overseas Bank*, *Luso International Bank*, *China Minsheng Banking Corp* and *OCBC Bank*.

The borrower had aimed to raise US\$1.4bn when it first approached relationship banks for the loan in June.

OCBC demands repayments from KS Energy

■ SINGAPORE Lender could wind up group within six months on non-payment

Offshore and marine engineering firm KS Energy and its subsidiaries have been sent a demand by OCBC Bank to repay certain term loans and bridge facilities that were outstanding as at July 31.

The Singaporean bank has demanded that **KS DRILLING**, a 80.09%-owned subsidiary of KS Energy, repay a US\$230.68m term loan and S\$5.15m (US\$4m) bridge facility and that KSDL subsidiary **KS RIG INVEST** repay a S\$5.16m bridging loan, or that the company and its subsidiaries as guarantors pay the sum.

Singapore-listed KS Energy and its subsidiaries had originally received letters of demand on August 6 from OCBC's solicitors, Shook Lin & Bok, seeking repayment of the loans within seven days.

OCBC could wind up the company and its subsidiaries within six months if they fail to pay the demanded sum. The usual three-week

period to pay the sum due under the Singapore Insolvency, Restructuring and Dissolution Act 2018 has been extended to six months under Covid-19 temporary measures passed in April.

KS Energy said the demands it received from OCBC were for guarantees it issued for US\$150m of KSDL's term loan, and S\$5m of the bridging loan.

For the KSDL loan, OCBC has demanded a repayment of US\$150m from KSDL subsidiaries KS Discoverer 1, KS Discoverer 2 and KS Discoverer 4 in their capacities as guarantors under the term loans.

Another KSDL subsidiary, KS Drilling Operating Company, had received a letter of demand for US\$115.68m in its capacity as guarantor under the term loan.

For the KSRI bridge, the Singaporean lender demanded repayment of S\$5m from guarantors KSDL and KS Rig Invest Three.

KS Energy said that KSDL's term loan had security, including mortgages over certain of KSDL's jack-up and land rigs in favour of OCBC. The bridge loan is unsecured.

The company said it was seeking legal advice and will engage with OCBC to remedy the situation.

Singapore headquartered KS Energy is an investment holding company that is listed on the main board of SGX-ST, part of the Singapore Exchange. Its core activities are the provision of drilling and rig management services, specialised engineering and fabrication services, and the distribution of parts and components.

KSDL is an investment holding company whose subsidiaries are mainly engaged in onshore and offshore drilling services, rig management and support services, oilfield equipment ownership and leasing.

Mirzaan Jamwal

Proceeds will be used for refinancing. Sinochem Group owns about 23% of the Hong Kong-listed borrower.

■ CHINA TAIPING EYES OFFICE REFI

CHINA TAIPING INSURANCE GROUP is in talks with banks for a loan of approximately HK\$9bn (US\$1.16bn) to refinance a 2018 borrowing that had backed its acquisition of an office building in Hong Kong.

The latest financing is expected to have a tenor of one to three years.

In February 2018, a consortium comprising China Taiping's wholly owned subsidiary, Taiping Trustees, and Fans Group, a unit of Shenzhen-based financial institution China Create Capital, obtained a HK\$6.6bn three-year loan for the acquisition of 18 King Wah Road, a 22-storey grade A office building in the North Point district of Hong Kong from Henderson Land Development.

HSBC was the mandated lead arranger and bookrunner of the 2018 loan.

■ SINOPHARM LEASING DRAWS LOAN

SINOPHARM FINANCIAL LEASING, a unit of state-owned China National Pharmaceutical Group, has drawn its HK\$1.17bn three-year loan, four months after signing took place in April.

The late drawdown is due to delays in obtaining the registration from China's State Administration of Foreign Exchange amid earlier Covid-19 lockdowns.

ICBC International was the sole original mandated lead arranger, bookrunner and

coordinator of the facility, which attracted six other lenders in syndication.

Mandated lead arrangers and bookrunners are Chong Hing Bank, Bank SinoPac and China Minsheng Bank. Lenders are Bank of Shanghai, Dah Sing Bank and Korea Development Bank.

The deal offers an interest margin of 220bp over Hibor.

Proceeds will be used for working capital purposes.

Sinopharm Financial Leasing provides one-stop services for the healthcare and medical sector. China Life Investment Holding is also a major shareholder of the company.

INDIA

■ HPCL LURES ONLY ONE

HINDUSTAN PETROLEUM has closed a five-year financing at US\$300m with only one bank joining.

Sumitomo Mitsui Trust Bank came into the deal with a US\$10m commitment.

Mandated lead arrangers and bookrunners *Bank of Baroda*, *State Bank of India* and *SMBC* ended up with US\$75m, US\$150m and US\$65m respectively.

The deal was not launched into general syndication and a US\$200m greenshoe will not be exercised.

The state-owned refiner had picked the three MLABs for the new-money financing in February.

The loan pays an interest margin of around 100bp over Libor.

Proceeds are for general corporate purposes.

HPCL closed a US\$300m three-year bullet loan in June 2018 as a four-bank club. DBS Bank, Mizuho Bank, MUFG and SBI ended up with equal commitments after pre-funding the deal. That loan pays an interest margin of 60bp–65bp over Libor.

■ ONE FOR OIL INDIA LOAN

State-owned **OIL INDIA** has closed a US\$225m five-year loan after a months-long syndication that attracted only one bank.

Mandated lead arrangers and bookrunners *State Bank of India* and *Sumitomo Mitsui Banking Corp* ended up with US\$117m and US\$93m respectively, or 93.33% of the deal combined.

Shanghai Commercial Bank had committed US\$15m to the financing in April.

The deal was launched in mid-February offering a top-level all-in of 105bp based on an interest margin of 92bp over Libor and an average life of 4.75 years.

The borrower's previous loan was an US\$800m one-year bridge financing in August 2016 to finance its purchase of a stake in two Russian oil and gas fields. DBS Bank, Mizuho Bank, MUFG and United Overseas Bank were the lenders of the deal.

INDONESIA

■ PERTAMINA DRILLS FOR BRIDGE

State-owned entity **PERTAMINA** is seeking a bridge loan of over US\$3bn to fund its

purchase of energy assets from oil and gas producer Occidental Petroleum Corp.

Banks are being shortlisted for the one-year loan.

Occidental Petroleum is looking to sell energy assets in Africa and the Middle East, including Ghana and the United Arab Emirates, to Pertamina for US\$4.5bn in a bid to ease its debt load.

The Indonesian company has also expressed interest in buying some of Occidental's assets in Algeria and Oman.

In May, Pertamina was seeking a smaller Rp2trn (US\$134m) loan with a tenor of at least five years. The status of that request for proposals is unclear.

Pertamina's previous visit to the offshore loan market was in August last year for a US\$1.85bn syndicated loan for the Jambaran-Tiung Biru natural gas project, considered one of the largest project financings for the company.

Eleven lenders participated in the financing, which included Islamic PF facilities under trustee borrowing schemes. The conventional and Islamic tranches each have 10 and 15-year tenors.

The JTB project involves the development of proven gas reserves as well as the construction and operation of gas production and processing facilities in East Java province.

PHILIPPINES

UDENNA'S RBL ATTRACTS JUST TWO

UDENNA CORP's US\$400m four-year reserve-based lending facility has finally closed after attracting only two lenders in syndication, which lasted seven months.

Deutsche Bank joined as lead arranger, committing US\$50m, while asset management firm Federated Hermes took US\$10m as arranger.

Mandated lead arrangers and bookrunners ANZ and ING Bank ended up with US\$178.2m and US\$161.8m, respectively, accounting for 85% of the deal size.

The deal struggled to draw any interest given the volatility in oil prices amid the market uncertainty and disruption stemming from the coronavirus outbreak.

UC Malampaya Philippines, a wholly owned unit of Philippine oil and shipping group Udenna, is using the senior secured loan to fund its acquisition of a 45% stake in the Malampaya gas field located offshore Palawan Island from Chevron Philippines.

The financing is structured as a borrowing base facility with the drawdown amounts tied to the net present value of the

borrower's future cashflows from its assets linked to the Malampaya project.

The RBL, which pays an interest margin of 400bp over Libor, also carries a corporate guarantee from Udenna.

In February, Udenna won clearance from the Philippine Competition Commission to acquire all of Chevron Malampaya, a wholly owned subsidiary of Chevron Philippines.

Chevron Malampaya and Shell Philippines Exploration each own 45% of the Malampaya gas field. PNOG Exploration Corp, a subsidiary of state-owned Philippine National Oil, holds the remaining 10%.

Shell Philippines is the developer and operator of the US\$4.5bn Malampaya gas project, which supplies fuel to gas-fired plants in Luzon province.

SINGAPORE

OLAM LIFTS SAMURAI LOAN

Olam International has increased the size of its Samurai loan to ¥38.85bn (US\$369m) even as it holds talks on a multi-tranche refinancing of up to US\$2bn.

The Samurai deal, launched at an original ¥25bn target, attracted a dozen banks, the Singapore-headquartered food and agribusiness said in a statement on Monday.

The new loan is split into a ¥27.6bn three-year tranche and a ¥11.25bn five-year piece, which pay interest margins of 60bp and 75bp over Libor, respectively, and offered an upfront fee of 15bp.

Mandated lead arrangers and bookrunners MUFG, Mizuho Bank, SMBC and Development Bank of Japan had pre-funded the loan in July. Mizuho is the facility agent.

Participants are Nishi-Nippon City Bank, Norinchukin Bank, Banco Do Brasil, Lotte F&L, Iyo Bank, 77 Bank, Hiroshima Bank, Gunma Bank, Shinsei Bank, Tokyo Star Bank, Bank of Kyoto and Hokkoku Bank.

Wholly owned subsidiary OLAM TREASURY PTE LTD is the borrower of the deal.

Olam is the guarantor of the loan, the proceeds of which will be for general corporate purposes, including the refinancing of a ¥25bn three-year loan completed in July 2017. That loan paid a margin of 45bp over Libor.

Meanwhile, Olam International has received a US\$200m loan from the European Bank for Reconstruction and Development.

The loan will be used to finance purchases of agricultural commodities such as hazelnuts, dry dairy products, grain and onions in Turkey, Egypt, Georgia, Poland and Ukraine.

The loan replaces Olam's existing US\$150m facility that matures in December and was also provided by the EBRD.

SOUTH KOREA

M&G SIGNS SOUTH KOREA'S FIRST GREEN LOAN

Global property investment manager M&G REAL ESTATE ASIA has signed a W115bn (US\$97m) green loan with OCBC Bank, the first such borrowing from South Korea.

The borrowing was issued under a green loan framework that was prepared together with OCBC Bank in accordance with the Green Loan Principles issued in 2018 and updated in 2020 by the Asia Pacific Loan Market Association, the Loan Market Association and the Loan Syndications and Trading Association.

The facility will refinance an investment in Northgate, a green building in Seoul's central business district, and is part of the M&G Asia Property Fund.

The building's notable green features include rainwater recycling systems, water efficient fixtures, LED lightings in common areas, automated heating ventilation and air conditioning controls, as well as lighting fixtures.

TAIWAN

SUPREME TO MANDATE

Electronics wholesaler SUPREME ELECTRONICS and its Hong Kong-incorporated unit GOLDEN SUPREME INTERNATIONAL are expected to mandate Bank of Taiwan for a US\$202m-equivalent loan.

Supreme Electronics is the borrower on a NT\$3bn (US\$102m) portion, while Golden Supreme International is the borrower on a US\$100m piece.

Funds are for refinancing and working capital purposes.

The duo's most recent visit to the loan market was in September 2017 for a US\$132m-equivalent loan. Taiwan Cooperative Bank was the mandated lead arranger and bookrunner of that transaction, which comprised a NT\$1.98bn (US\$66m) Tranche A, that can be drawn in NT or US dollars, and a US\$66m Tranche B.

The NT dollar portion for Tranche A pays an interest margin of 120bp over Taibor, with a pre-tax interest rate floor set at 1.8%. Tranche B's interest margin is 120bp over Libor. The borrower will pay any excess interest rate beyond a 35bp difference between TAIEX and Libor. Banks were offered a top-level upfront fee of 20bp.

CHENG LOONG LOAN ATTRACTS SIX

A subsidiary of Taiwan-listed paper products maker Cheng Loong Corp has signed a

US\$130m-equivalent five-year loan after attracting six lenders in general syndication.

CTBC Bank, Mega International Commercial Bank and Taipei Fubon Commercial Bank were the mandated lead arrangers and bookrunners. Mega was the facility agent.

Co-arrangers are DBS Bank, Hua Nan Commercial Bank, Shanghai Commercial & Savings Bank, E.Sun Commercial Bank and First Commercial Bank. Participant is Cathay United Bank.

The facility comprises a US\$33m-equivalent tranche A, a US\$7m-equivalent Tranche B and a US\$90m Tranche C. The first two tranches are denominated in Vietnamese dong.

The dong portion offers an interest margin of 237.5bp over three-month Vnibor, while the US dollar portion pays a margin of 160bp over three-month Libor. The borrower will pay any excess interest rate beyond a 35bp difference between TAIEX and Libor.

Banks were invited to join with tickets of US\$21m-equivalent or more for an upfront fee of 15bp and the co-arranger title, or US\$13m–\$20m for a 10bp fee and the participant title.

CHENG LOONG BINH DUONG PAPER, a subsidiary of Cheng Loong Corp, is the borrower.

Proceeds will finance the expansion of a paper mill in Vietnam.

The borrower's land, factories and machinery form as security, while the parent serves as the guarantor for the loan.

Cheng Loong Binh Duong last tapped the market in August 2016 with a US\$165m five-year loan.

It offered an interest margin of 237.5bp over three-month or six-month Vnibor on the US\$15m-equivalent Tranche A and a margin of 160bp over three-month Libor on the US\$150m Tranche B. The borrower pays any excess interest rate beyond a 35bp difference between TAIEX and Libor.

VIETNAM

MOBILE WORLD SIGNS INCREASED LOAN

Retailer **MOBILE WORLD INVESTMENT** has closed syndication for an increased US\$120m borrowing after attracting 13 banks.

BNP Paribas was the sole mandated lead arranger and bookrunner on the one-year borrowing, which now comprises a US\$60m syndicated Facility A and a US\$60m uncommitted Facility B. The tranches had initial sizes of US\$50m each.

Mandated lead arrangers are ICBC, Hua Nan Commercial Bank, Cathay United Bank, First Commercial Bank and Woori Bank. Lead arrangers are ANZ, Bank SinoPac and Union Bank of Taiwan. Arrangers are Bank of Taiwan, CTBC,

Shanghai Commercial & Savings Bank, Taiwan Shin Kong Commercial Bank and Kookmin Bank.

The syndicated facility paid a top-level all-in pricing of 270bp above Libor based on a 250bp interest margin.

Facility B may be available one month from the final maturity date of Tranche A if lenders get the necessary internal approvals.

Mobile World operates retail stores for mobile phones, consumer products and groceries at more than 3,000 locations in Vietnam. In 2017 it launched the BigPhone mobile phone retail chain in Cambodia.

The borrower will use the loan for working capital and capital expenditure purposes.

EUROPE/MIDDLE EAST/AFRICA

GERMANY

SIEMENS ENERGY NETS €3bn SLL

SIEMENS ENERGY has closed a €3bn sustainability-linked multi-currency revolving credit facility with a consortium of international banks.

The bank group comprises 28 banks, including coordinating mandated lead arrangers and bookrunners Bank of America, BNP Paribas, Commerzbank, Credit Suisse, Deutsche Bank, Goldman Sachs and JP Morgan.

Bank of China, Citigroup, Credit Agricole, HSBC, ING, Banco Santander, Societe Generale, Standard Chartered Bank and UniCredit were mandated lead arrangers and bookrunners.

The facility, which raised more than €4.5bn in commitments before scaleback, has a three-year maturity with two one-year extension options.

The deal also incorporates a swingline option of €1bn for funds that can be drawn at very short notice.

The interest rate on the loan is linked to sustainability criteria defined by key performance indicators and can be drawn in various currencies, including US dollars and sterling.

The KPIs include the reduction of the emission of greenhouse gases (CO₂-equivalent) and of the lost time injury frequency rate, which reflects how safe a workplace is for its employees.

The RCF backs the spin-out of Siemens' energy business and will be used for general corporate purposes, especially the financing of the operating business.

"We are already very well financed for our planned listing at the end of September. The new credit line will provide Siemens Energy

with additional financing that can be drawn on at short notice, thus ensuring additional flexibility," said Siemens Energy CFO Maria Ferraro.

Siemens Energy is set to spin off from its parent when it lists 55% of its shares on September 28. Siemens then aims to reduce its remaining 45% position within 12-18 months.

Munich-based Siemens is pulling out of gas and power as customers switch from fossil fuels to renewable sources to generate electricity.

The energy business makes gas turbines, wind power generators, transformers and compressors.

ISTA SIGNS ESG-LINKED LOAN

Energy provider **ISTA** has signed a €1.85bn ESG-linked syndicated loan with 11 international banks.

The loan - which moved the company into an investment-grade range - has a five-year maturity, with an option to extend by up to two years.

The facility was self-arranged by Ista with ING as lead ESG coordinator, together with UniCredit and SMBC as sustainability coordinators.

They were joined by China Construction Bank, Commerzbank, LBBW, Bank of China, Mizuho, Scotiabank, ABN AMRO and Raiffeisen.

Commerzbank was facility agent and UniCredit was documentation agent.

Pricing on the loan is linked to sustainability targets, including CO₂ emissions per employee and a further expansion of the groups' digital service infrastructure.

Pricing will reduce if Ista achieves the targets, but will increase if the targets are not met.

The sustainability key performance indicators will be audited by SGS-TUV Saar.

"Sustainability is part of Ista's DNA. Ten years ago, we were the first company in our

EMEA LOANS BOOKRUNNERS – FULLY

SYNDICATED VOLUME

BOOKRUNNERS: 1/1/2020 TO DATE

	Managing bank or group	No of issues	Total US\$(m)	Share (%)
1	BNP Paribas	115	59,176.36	14.9
2	Credit Agricole	83	30,035.34	7.6
3	Santander	74	22,768.96	5.7
4	HSBC	64	19,556.99	4.9
5	UniCredit	93	19,485.83	4.9
6	Citigroup	43	19,357.62	4.9
7	JP Morgan	45	19,063.56	4.8
8	SG	53	18,794.05	4.7
9	Deutsche Bank	55	17,668.94	4.4
10	Sumitomo Mitsui	38	14,045.51	3.5
	Total	478	397,504.49	

Proportional credit

Source: Refinitiv

SDC code: R17

Sovereign seals US\$2bn loan

■ EGYPT Deal raised US\$2.5bn of commitments

Egypt's **MINISTRY OF FINANCE** has signed a US\$2bn one-year syndicated term loan, split between a US\$1.49bn conventional tranche and a US\$510m Islamic tranche.

First Abu Dhabi Bank and Emirates NBD were initial mandated lead arrangers, bookrunners and global coordinators on the deal. They were joined by Bank ABC, HSBC, Mashreq, Standard Chartered and SMBC as mandated lead arrangers and bookrunners.

Abu Dhabi Islamic Bank, Dubai Islamic Bank, Al Ahli Bank of Kuwait, Gulf International Bank, Intesa Sanpaolo and Sharjah Islamic Bank were mandated lead arrangers.

The deal pays a margin of 365bp over Libor. Bankers said the attractive pricing and short tenor meant there was strong appetite among lenders for the deal.

"It's good value and it's short term," a banker said.

The loan was launched in July at US\$1.5bn with an option to increase it to US\$2bn. It

received US\$2.5bn of commitments before banks were scaled back.

"Some banks put in quite chunky commitments and were angry that they got heavily scaled back by the government," a second banker said.

In May, Egypt raised a US\$5bn bond that closed four times subscribed. Egypt sold US\$1.25bn in four-year notes at 5.75%, US\$1.75bn in 12-year bonds at 7.625% and US\$2bn in 30-year notes at 8.875%.

Appetite for the loan was further boosted by the fact that pricing for the facility is higher than pricing for the bond in the secondary market.

"Pricing is better than the bond pricing in the secondary market," the first banker said.

Egypt, rated B2/B+, agreed US\$2.77bn in emergency financing from the International Monetary Fund in May.

Egypt's foreign reserves declined by US\$1bn in May as the coronavirus crisis has squeezed some of the

country's main sources of foreign currency, especially tourism and remittances from workers abroad.

African Export-Import Bank has disbursed US\$3.85bn to the Egyptian banking sector through its Pandemic Trade Impact Mitigation Facility since the outbreak of the pandemic in March.

PATIMFA, which is designed to assist Afreximbank member countries in managing the adverse impact of Covid-19 on their economies, has provided US\$3.55bn to the Central Bank of Egypt and other Egyptian Banks to bolster their liquidity and ensure trade debt payments that fall due are honoured.

The funds will also support the stabilisation of foreign exchange resources to preserve the flow of critical imports.

It also provided US\$300m to the National Bank of Egypt to support activities aimed at expanding intra-African trade.

Sandrine Bradley

branch of industry to publish a sustainability report. Now we are the first to adopt a sustainable financing structure," said Ista CFO Thomas Lemper.

The financing replaces a non-ESG-linked 2017 credit line and provides additional finance for the company's growth strategy.

In August 2017, Hong Kong's CK Infrastructure signed €1.95bn of loans backing its €4.5bn acquisition of Ista.

That financing comprised a €1.6bn term loan with a three-year maturity, extendable by two years; a €250m five-year capital expenditure facility; and a €100m five-year revolving credit facility.

ICELAND

■ ICELANDAIR WINS GOVERNMENT APPROVAL

The Icelandic government has approved a guarantee to **ICELANDAIR** for a credit facility amounting up to US\$120m, which is part of a financial restructuring of the airline to ensure a strong liquidity position during the coronavirus crisis.

The financing, provided by *Islandsbanki* and *Landsbankinn*, is conditional on the completion of a share offering.

Icelandair had US\$62.7m of undrawn credit lines at the end of June, but they are unavailable to the company due to financial covenant breaches.

SAUDI ARABIA

■ PIF REPAYS US\$10bn BRIDGE

PUBLIC INVESTMENT FUND has paid back a US\$10bn bridge loan it raised last year with international banks.

"PIF has paid back the bridge loan in full, as initially planned in October 2019," it said in a statement.

Over the last two years, banks have lent billions to the fund, which is the engine of Crown Prince Mohammed bin Salman's economic transformation plans for Saudi Arabia.

The US\$10bn bridge loan, needed to back new investments, was provided by 10 banks including Bank of America, HSBC and JP Morgan.

It was linked to the acquisition by Saudi Aramco of PIF's stake in petrochemical company Sabic, a deal worth nearly US\$70bn that was completed in June.

PIF this year has spent billions of dollars to buy shares of companies overseas, with its firepower boosted by a US\$40bn transfer of Saudi foreign reserves in March and April.

SOUTH AFRICA

■ ACSA GETS FUNDING

State-controlled airports company **ACSA** has signed a R3bn (US\$174m) loan with

domestic banks and shelved major projects to shore up its finances in the coronavirus crisis, its finance chief said.

Since March, when South Africa declared a state of disaster to contain the Covid-19 pandemic, major domestic airports have closed such as the continent's busiest, OR Tambo in Johannesburg, knocking revenue at Airports Company.

The deal with *Standard Bank*, *Rand Merchant Bank* and *Nedbank* doubled a R1.5bn overdraft-type facility up for renewal in June, and further easing of lockdown restrictions this week to allow inter-provincial leisure travel will help.

ACSA, which is 74%-owned by the government and counts pension fund manager Public Investment Corporation as its second-biggest shareholder, told lawmakers in May it needed National Treasury support to finance up to R11bn of new debt by 2025.

But CFO Siphomandla Mthethwa said this sum was a "worst case" projection over a six-year period and the more relevant number was R3.5bn that ACSA needed by 2023.

"The nature and form of this support is not confirmed, it is at a sensitive stage and we cannot say whether we are getting a guarantee, an equity injection, or some form of debt," he said.

ACSA, downgraded by Moody's in June for the second time this year, has slashed its three-year capital expenditure bill to R2.8bn from a previously projected R17.6bn, Mthethwa said, after shelving a new runway

and terminal planned at Cape Town international airport and similar large upgrades at OR Tambo.

The company, which also holds concessions at Sao Paulo's Guarulhos International Airport and Chhatrapati Shivaji Maharaj International Airport in Mumbai, is on track to sell its 10% stake in Mumbai to an unidentified buyer, said Mthethwa.

"We have set ourselves a target of June 2021 as the latest we need to conclude the transaction," he said.

UK

PREMIER OIL AGREES REFI

PREMIER OIL has agreed terms for a long-term refinancing of its debt facilities, and its creditors will be asked to vote in favour of the terms of the proposed deal.

The company said US\$2.9bn of gross committed debt facilities will be refinanced with non-amortising facilities, extending the maturities from May 2021 to March 2025.

The borrower has been struggling with debt since the oil slump of 2014 and the recent fall in crude prices forced the company to delay repayments.

The borrower said its covenant profile will be reset to provide sufficient headroom in a prolonged lower commodity price environment, and that a harmonised interest rate of 8.34% will be applied to its cash credit facilities.

It will raise US\$300m of new equity to reduce debt, of which US\$205m will be underwritten by the firm's senior creditors, which will convert debt into equity.

The proposed refinancing will be conditional on total take-up of the equity raise being at least US\$325m, excluding the underwriting. The equity issuance requires shareholder approval.

AMERICAS LOANS BOOKRUNNERS – FULLY

SYNDICATED VOLUME

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 Bank of America	614	156,379.39	12.9
2 JP Morgan	526	146,678.39	12.1
3 Citigroup	299	99,247.88	8.2
4 Wells Fargo	382	87,726.40	7.2
5 Barclays	184	39,878.04	3.3
6 Goldman Sachs	169	39,369.23	3.2
7 Morgan Stanley	99	36,674.93	3.0
8 RBC	175	36,621.81	3.0
9 Credit Suisse	118	32,776.38	2.7
10 US Bancorp	215	31,807.04	2.6
Total	2,040	1,211,513.85	

Proportional credit
Source: Refinitiv

SDC code: R7

Premier also said it will raise US\$230m to fund the proposed purchase of some of UK oil major BP's North Sea fields.

Net debt fell to US\$1.97bn at end-June from US\$1.99bn at the end of December.

The company also reaffirmed its expectation that it would be free cashflow positive for full-year 2020.

NORTH AMERICA

UNITED STATES

ROPER NETS US\$4bn BRIDGE

Software company **ROPER TECHNOLOGIES** has obtained a US\$4bn 364-day bridge facility that will be used to finance the US\$5.35bn all-cash acquisition of Vertafore.

Bank of America, JP Morgan and Wells Fargo have committed to providing the financing, which is divided into a US\$2.5bn Tranche A Loan and a US\$1.5bn Tranche B Loan.

Administrative agent BofA committed 40%, JP Morgan committed 30% and Wells Fargo committed 30% pro rata on the bridge loan.

To complete the acquisition, the company will also use cash on hand and a US\$2.5bn revolving credit facility. As of June 30, the company had US\$1.87bn in cash.

Pricing for the loan is based on a debt ratings grid. For A3/A– or above it is 100bp over Libor; for Baa1/BBB+ it is 112.5bp over; for Baa2/BBB it is 125bp over; for Baa3/BBB– it is 150bp over; and for lower than Baa3/BBB– it is 175bp over.

The loan pays a duration fee of 50bp three months after closing, 75bp six months after closing, and 100bp nine months after closing.

Vertafore is a cloud-based software company based in Denver.

Roper Technologies is rated BBB+ by S&P and Baa2 by Moody's.

AURAMET SIGNS US\$235m LOAN

Precious metals merchant **AURAMET** has signed a US\$235mn credit facility.

ING was the administrative agent on the deal. Rabobank, Macquarie Bank, Brown Brothers Harriman, Mizuho Bank, HSBC, Bank of China and Bank Hapoalim were also part of the lending group.

The facility includes a US\$25m accordion with the ability to increase the facility amount to US\$260m, and also permits additional bilateral transactional credit facilities up to US\$50m.

The company previously signed a US\$190m 364-day revolver in May last year.

Auramet provides metal merchant trading, merchant banking, structured finance and advisory services.

LEVERAGED LOANS

UNITED STATES

ASPLUNDH CUTS PRICING

Landscaping services provider **ASPLUNDH TREE EXPERT** cut pricing on its US\$2bn Term Loan B.

The seven-year loan was priced at 250bp over Libor with a 0% floor, down from previous guidance of 275bp.

The spread will tighten to 225bp over Libor when first-lien net leverage falls below two times.

The OID was tightened to 99.5, from the initial guidance of 98.5–99.

Wells Fargo, Bank of America, PNC and Citizens arranged the financing.

Proceeds will fund a shareholder dividend, refinance debt and pay fees and expenses related to the transaction.

Corporate and first-lien ratings are Ba1/BBB–.

Engineering services provider **GLOBALLOGIC** tightened the pricing on its seven-year US\$525m loan before allocating.

The loan was priced at 375bp over Libor, tighter than price talk of 400bp–425bp.

It has a 0.75% floor, 99 OID, and 101 soft-call protection for six months.

JP Morgan, Deutsche Bank, Morgan Stanley, Credit Suisse, RBC Capital Markets, Mizuho and Macquarie arranged the transaction.

Corporate ratings are B2/B+.

Proceeds will be used to finance a US\$475m dividend distribution to shareholders, according to Moody's.

Energy company **LOTUS MIDSTREAM** has allocated a US\$75m add-on loan.

The loan is due September 2025, but is not fungible with the company's existing senior debt facilities.

The add-on loan priced at 400bp over Libor and has a 0% floor.

The OID is set at 96.5 and has 101 soft-call protection for 12 months.

The corporate family rating is B1/BB– while the facility is rated B1/BB+ with a recovery rating of 1.

Barclays was the administrative agent on the deal.

PIKE SEALS TLB REFI

Construction company **PIKE** has completed a US\$336m Term Loan B.

The TLB is priced at 300bp over Libor, cut from 325bp at launch, with a 0% floor

Rule change may slow adoption of ESG principles

■ US MIDDLE MARKET Department of Labor's proposal prioritises profits over social goals

A proposed rule from the US Department of Labor could limit private credit firms from prioritising socially responsible investment principles.

Under the proposal, fiduciaries for some retirement plans governed by the Employee Retirement Income Security Act must act solely in the interest of the plans' participants and beneficiaries and must not jeopardise returns or increase risk for the purpose of non-financial objectives.

Private debt funds, which are increasingly focused on socially responsible investments, use money from pension funds, including private-sector retirement benefit plans, to lend to small and mid-sized companies. If fiduciaries are forced to prioritise profits over social responsibility, asset manager interest in raising funds targeting environmental, social, and governance investments may decrease.

The DOL oversees US\$10.7tn in US retirement assets.

"Private employer-sponsored retirement plans are not vehicles for furthering social goals or policy objectives that are not in the financial interest of the plan," Labor secretary Eugene

Scalia said in a release announcing the proposal on June 23. "Rather, ERISA plans should be managed with unwavering focus on a single, very important social goal: providing for the retirement security of American workers."

The proposal, which comes as several private lenders are looking for more socially responsible investments, received more than 1,000 letters by the comment deadline on July 30.

"In the last six months, we've seen a much broader adoption of and dedication of resources to ESG, including in the middle market, and this DOL rule puts a potential kink in that trend as people stop to evaluate what this means from a regulatory perspective," said Alexandra Farmer, a partner at law firm Kirkland & Ellis who leads its ESG practice.

SHUT OUT

BlackRock, a vocal champion of ESG policies, manages a broad suite of dedicated sustainable investments, ranging from broad ESG strategies to thematic and impact strategies aligned with the low-carbon transition and the UN Sustainable Development Goals.

"If you don't have an integrated ESG portion of your investment, you don't have a seat at the table; you're screened out," said James Keenan, global co-head of credit within BlackRock's alternative investments division. "We see that at the family office level, the pension fund level."

ESG has the potential to have an impact on the long-term value of its investments.

"ESG factors can pose risks to the business if they're not properly managed and may impact the value of the (portfolio companies)," Keenan said. "Examples of these issues include whether chemical companies adhere to environmental laws and regulations and the increased focus on social media companies' social impact."

ESG considerations have already pushed alternative lenders towards certain industries, said Steve Nesbitt, chief executive of investment advisory firm Cliffwater.

"One consideration in private credit is headline risk," he said. "The number one issue for oil and gas is carbon emissions. Ultimately, (private credit) has gravitated towards business services, healthcare, and software."

Andrew Hedlund

and 101 soft-call protection for six months.

The loan, which matures in July 2026 – in line with the company's existing facility – was issued with a 99.5 OID, from guidance of 99–99.5.

The TLB includes a 1% amortisation schedule. There are no financial covenants included in the documentation.

Proceeds from the loan will be used to refinance existing debt and cover related fees and expenses.

Morgan Stanley was the sole bookrunner and administrative agent on the deal.

Corporate ratings are B2/B, and facility ratings are Ba3/BB–.

Software provider **LOGMEIN** downsized its loan to US\$1.75bn from US\$1.95bn, with the US\$200m shifted to the company's first-lien notes offering.

The seven-year loan, which supports the company's acquisition by private equity firms Francisco Partners and Evergreen Coast Capital, priced at 475bp over Libor with a 0% floor.

Its OID was revised to 97.5 versus 97 at launch.

The loan will now have 101 soft-call protection for 12 months, up from six months.

Barclays, RBC Capital Markets, Deutsche Bank, Jefferies and Mizuho arranged the transaction.

The debt will be secured with a first priority lien on substantially all assets and stock of the company.

In December, LogMeIn announced an agreement to be acquired by Francisco and Evergreen in a transaction that valued the company at roughly US\$4.3bn.

EUROPE/MIDDLE EAST/AFRICA

VALEO FOODS WRAPS A&E

Irish food company **VALEO FOODS** has completed an amend-and-extend process of its existing debt, led by JP Morgan.

The firm offered a 150bp fee to push out the maturity of a €440m first-lien Term Loan B by three years to August 2027.

Of that total, €407.7m of the TLB has been successfully extended. It was priced at 450bp over Euribor with a 0% floor, up from existing pricing of 375bp.

The remaining €32.3m TLB is still priced at 350bp over Euribor with a 0% floor, and the maturity date remains unchanged at August 2024.

The extended TLB will have 101 soft-call protection for six months.

In addition, there is also a pre-agreed extension of some existing loans and a revolver.

A £300m first-lien TLB has been extended to August 2027 from August 2024, and it pays 550bp over Libor with a 0% floor.

A £81m second-lien TLB has been extended to August 2028 from August 2025, and it pays 850bp over Libor with a 1% floor.

The firm has also extended a €35m revolver to February 2027 from May 2021, and the pricing was at 425bp over Euribor with a 0% floor.

Valeo Foods last tapped the loan market in August 2017 when it raised a €590m-equivalent loan to refinance existing credit facilities and fund a shareholder distribution.

That deal included a €440m seven-year TLB that priced at 375bp over Euribor, and a £53m seven-year TLB that closed at 425bp over Euribor. That was also an £81m eight-year second-lien loan which priced at 850bp over Libor.

CapVest-owned Valeo is behind brands such as Jacobs's Biscuits and Rowse Honey.

ASIA-PACIFIC

NICHII GAKKAN SET FOR SELL-DOWN

The underwriters of a ¥102.5bn (US\$968m) financing backing Bain Capital's ¥131bn management buyout of Tokyo-based nursing care provider **NICHII GAKKAN** are preparing to sell down a portion of the loan now that the acquisition is close to the finish line.

UPC wraps jumbo loan for Sunrise purchase

■ US/EUROPE Financing prices in line with guidance

Liberty Global's Swiss cable business **UPC** has completed a jumbo loan to back its purchase of Sunrise Communications Group.

The covenant-lite financing has a Term Loan B1 and a Term Loan B2, both of which comprise a US\$1.3bn tranche and a €400m tranche. The US dollar loans were increased by US\$100m and the euro loans were cut by €100m.

The dollar loans were priced at 350bp over Libor with a 0% floor and a 99 OID, while the euro loans priced at 350bp over Euribor with a 0% floor and a 98.5 OID.

They were guided at 350bp over Euribor/Libor, with a 0% floor, at 98–98.5 OID.

Both TLBs include 101 soft-call protection for six months and will mature in January 2029.

Proceeds from the deal will be used to refinance existing indebtedness and partially fund the acquisition of Sunrise Communications.

The financing provides much-needed supply for the leveraged loan market, which has seen

a lack of merger and acquisition activity post Covid-19.

Deutsche Bank was bookrunner and global coordinator for the dollar loans, while *BNP Paribas* and *JP Morgan* were bookrunners and global coordinators for euro loans.

Other bookrunners are *Bank of America*, *Citi*, *Credit Suisse*, *Goldman Sachs* and *Scotia Bank*.

The TLB1 and TLB2 allocated and trade as strips in each currency. The TLB1 is issued via NewCo I BV, while the TLB2 is issued via UPC Broadband Holding BV.

Corporate ratings are B1/BB–/BB–, while issue ratings are B1/BB–/BB+.

Liberty Global agreed earlier this month to make an all-cash offer for all publicly held shares of Sunrise at SFr110 per share, valuing Sunrise's equity at SFr5bn and giving it an enterprise value of SFr6.8bn.

Liberty Global said it would fund the deal through Liberty Global's SFr3.5bn of cash from its balance sheet and approximately SFr3.2bn of financing, of which SFr1.6bn will be available

to refinance existing indebtedness of Sunrise as needed.

Upon becoming a wholly-owned subsidiary of Liberty Global, Sunrise will become part of the UPC credit pool. Targeted leverage for this pool will be 5 times, pro forma for this transaction, including vendor financing and leases.

Together, the combined business would have SFr3.17bn in revenue, 2.1 million mobile post-paid subscribers, 1.2 million broadband subscribers and 1.3 million TV subscribers, reflecting approximately 30% market share in each segment, Liberty Global said.

The tender offer is expected to commence by the end of August and the deal is subject to regulatory approvals, which the companies expect to receive around year-end.

The deal marks a turnaround from a SFr6.3bn takeover attempt by Sunrise for UPC, which failed last year. Sunrise shareholders scuppered that deal, saying the takeover was too expensive.

Prudence Ho

The private equity firm now owns 82.27% of the target following the close of its tender offer on Monday and is looking to acquire the remainder so that it can delist Nichii Gakkan from the Tokyo Stock Exchange.

MUFG, Mizuho Bank, Sumitomo Mitsui Banking Corp and Nomura Capital Investment have underwritten ¥34.69bn, ¥30.83bn, ¥26.98bn and ¥10bn respectively of the seven-year loan.

Bain fended off a last-minute higher bid from rival PE firm Baring Private Equity Asia that valued Nichii Gakkan at ¥146bn.

Bain clinched the deal as Baring did not have the support of Nichii Gakkan's founding family members. Bain said it had

secured a 44% stake from Nichii Gakkan's top management and founding family members.

It also struck a deal with Singapore-based Effissimo Capital Management, which owns 12.46% of Nichii Gakkan.

Bain has said Effissimo would tender its shares in exchange for an undisclosed stake in a vehicle that would indirectly own Nichii Gakkan.

The loan backing Bain's offer is split into a ¥20.5bn amortising portion and a ¥82bn bullet piece.

Last month, Bain increased its loan size from ¥98.6bn and also increased its equity contribution to ¥28.1bn from ¥27bn. BCJ-44,

Bain's special purpose vehicle, is the borrower and acquiring entity.

RESTRUCTURING

UNITED STATES

■ REVLOTT BATTLES LAWSUIT

Beauty and cosmetics retailer **REVLOTT** is seeking to dismiss a lawsuit filed by term loan agent UMB Bank over intellectual property rights

EMEA SPONSORED LOAN BOOKRUNNERS

BY VOLUME: 1/1/2020 TO DATE

Europe, Middle East, Africa

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 JP Morgan	13	2,226.55	6.0
2 HSBC	10	2,173.98	5.9
3 Deutsche Bank	14	2,159.01	5.9
4 SG	8	2,116.35	5.7
5 BNP Paribas	14	2,032.36	5.5
6 Credit Agricole	13	1,975.57	5.4
7 Bank of America	9	1,962.05	5.3
8 UniCredit	9	1,894.81	5.1
9 Credit Suisse	15	1,737.18	4.7
10 Barclays	11	1,722.40	4.7
Total	61	36,832.93	

Excluding project finance.

Source: Refinitiv

SDC code: P13

US LEVERAGED LOANS

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 Bank of America	357	58,618.13	11.7
2 JP Morgan	269	45,116.19	9.0
3 Wells Fargo	210	40,204.79	8.0
4 Citigroup	139	30,571.95	6.1
5 Goldman Sachs	133	26,848.62	5.4
6 Credit Suisse	101	26,458.43	5.3
7 Barclays	126	23,165.35	4.6
8 Morgan Stanley	74	18,802.92	3.8
9 RBC	80	15,756.63	3.1
10 Deutsche Bank	91	15,348.40	3.1
Total	1,006	501,238.84	

Excluding Project Finance.

Source: Refinitiv

SDC code: P2

EUROPEAN LEVERAGED LOANS

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 BNP Paribas	32	5,131.66	7.1
2 JP Morgan	26	4,990.85	6.9
3 HSBC	20	4,837.40	6.7
4 Credit Agricole	24	4,661.74	6.5
5 Goldman Sachs	20	4,570.18	6.4
6 Barclays	19	4,177.21	5.8
7 Deutsche Bank	23	3,874.72	5.4
8 Citigroup	11	3,446.14	4.8
9 UniCredit	16	3,145.43	4.4
10 Natixis	8	3,018.13	4.2
Total	117	71,951.81	

Excluding project finance. Western Europe only included.

Source: Refinitiv

SDC code: P10

used as collateral in a 2016 term loan transaction that were transferred to secure a series of financings starting in 2019.

On August 12, UMB, on behalf of an undisclosed group of lenders, filed the lawsuit with a federal court in Manhattan disputing the transfer of IP collateral that was used to secure the 2016 term loan.

The collateral backing the 2016 term loan included IP from brands American Crew and Elizabeth Arden. The IP assets were subsequently transferred into a new subsidiary and used to secure other sources of financing, which violates the terms of the 2016 credit agreement, the lawsuit said.

The US\$1.8bn term loan was issued in July 2016 to back the acquisition of cosmetics company Elizabeth Arden. The loan was priced at 350bp over Libor with a 0.75% floor and an OID of 99.5.

In August 2019, Revlon used the American Crew IP to secure a US\$200m term loan from Ares Management.

The company also sought to undertake another financing transaction in March. UMB claims that this time, the company manufactured a “false majority consent” from lenders to get the transaction approved.

Both the American Crew and Elizabeth Arden IP were subsequently used to secure three facilities in the 2020 transaction, including an US\$880m new money facility, a US\$950m roll-up loan, and US\$3m junior roll-up loan. A portion of the 2016 term loan was expected to roll up into the US\$950m loan and US\$3m junior loan in May, the lawsuit said.

The Ares term loan was refinanced using proceeds from the new money facility.

UMB said that it seeks either compensation or the return of the collateral.

Separately, Citigroup is mired in a legal dispute with Revlon's lenders after it erroneously repaid a nearly US\$900m loan made to the beauty company.

The bank is suing HPS Investment Partners and Symphony Asset Management for allegedly refusing to return a combined US\$237m.

Citi mistakenly paid about US\$127.3m in funds to lender HPS and US\$109.7m to Symphony.

Citigroup did score a small victory last Tuesday in its battle to recoup the US\$900m.

A US judge blocked hedge fund Brigade Capital Management from doing anything with its nearly US\$175m portion of the payout while he considers a preliminary injunction that could eventually require the firm to repay Citigroup.

▶ CHAPARRAL SEEKS COURT APPROVAL

Exploration and production company **CHAPARRAL ENERGY** is seeking court approval

for a US\$300m exit facility as part of its plan of reorganisation.

Chaparral filed for Chapter 11 bankruptcy protection on August 16.

Available upon the company's emergence from bankruptcy, the exit facility will be split between a first-lien, first-out revolving facility with an initial borrowing base, and first-lien, second-out term loans in amounts to be determined.

RBC Capital Markets, the agent on Chaparral's pre-petition reserve-based lending facility, is lead arranger on the exit facility.

RBC also allowed Chaparral to use US\$32m in cash collateral to fund business operations, the disclosure statement said. Chaparral said it wanted to use cash collateral to save on fees needed to secure debtor-in-possession financing.

Its pre-petition debt includes US\$188.5m on the RBL, US\$300m in senior notes and US\$1.4m of financing lease obligations.

Chaparral, which emerged from its previous bankruptcy in 2017, was hit with an escalating oil price war between Saudi Arabia and Russia in March, and then by the adverse effects of the coronavirus pandemic on the energy industry. Market volatility also impacted the company's efforts to put into effect alternative financing transactions it had been working on since December.

The company opted to skip the July 15 interest payment on its senior notes and used the forbearance period to initiate bankruptcy negotiations.

On August 15, it signed a restructuring support agreement with a group of RBL lenders and bondholders to pursue a plan of reorganisation to equitise the senior notes.

In addition to the US\$300m exit facility, the company will also receive US\$35m in convertible notes on its emergence from bankruptcy.

▶ CREDITORS WIN CIRQUE DU SOLEIL

A group of **CIRQUE DU SOLEIL** creditors have won control of the financially strapped entertainment group after their bid worth an estimated US\$1.2bn was deemed the highest.

The bid by the creditors group must still be approved by a Canadian court.

Canada's once high-flying Cirque received protection from its creditors in June, after the Covid-19 pandemic forced the circus operator to cancel shows and lay off artists.

“The creditors have delivered a great outcome for the Cirque. The recapitalisation provides employees, artists and partners with a reinvigorated platform to deliver our shows to our audiences worldwide,” said Gabriel de Alba, managing director and partner at Catalyst.

Last month, Montreal-based Cirque and the group reached a “stalking horse” purchase agreement, totalling US\$900m in debt forgiveness and up to US\$375m in new financing, which acts as an opening offer that other interested bidders must surpass if they want to buy the company.

The agreement replaced an earlier deal with Cirque shareholders, including TPG Capital and Fosun International, which included debt financing from a Quebec government body.

▶ AVIANCA EXTENDS DEADLINE

Colombian airline **AVIANCA** has extended the commitment deadline to Wednesday from August 20 on its US\$1.3bn debtor-in-possession loan.

The 18-month delayed-draw loan is being offered at a cash price of 1,000bp to 1,050bp over Libor, or a margin of 1,150bp–1,200bp over Libor through payment-in-kind.

The DIP loan will also include a 0.5% floor that will be payable in cash or in-kind at the borrower's election and a 98 OID.

Avianca is expected to draw approximately two-thirds of the DIP once it closes.

Undrawn commitment fees will be 50bp for the first 30 days, before increasing to 33% of the drawn spread from days 31–60, 50% of the drawn spread from days 61–120 and 100% of the drawn spread thereafter.

Goldman Sachs and *JP Morgan* are lead arrangers.

The corporate rating is Caa1/D.

Avianca filed for Chapter 11 bankruptcy protection in May after revenues fell sharply due to the coronavirus pandemic. It is the airline's second bankruptcy filing since 2003.

▶ AEROMEXICO GETS APPROVAL

AEROMEXICO said a New York court has approved the bid it made earlier this month to secure debtor-in-possession financing of up to US\$1bn as the Mexican airline goes through bankruptcy proceedings in the US.

“The DIP financing will grant Aeromexico sufficient liquidity to restructure satisfactorily under Chapter 11 proceedings,” the company said in a statement.

The DIP facility consists of two tranches and can be used for working capital, general corporate purposes and restructuring costs.

▶ SKILLSOFT GETS EXIT FINANCING

Online learning provider **SKILLSOFT** received court approval earlier this month to execute its plan of reorganisation, including the issuance of US\$520m in exit financing loans upon its emergence from bankruptcy.

The exit financing includes a US\$110m first-lien, first-out loan and a US\$410m first-lien, second-out loan.

The first-out loan, which matures in December 2024, includes a roll-up of US\$60m in debtor-in-possession financing and is priced at 750bp over Libor with a 1% floor.

The second-out loan, which matures in April 2025, is priced at 750bp over Libor with a 1% floor.

Both loans will have an initial covenant level of 6x with a 0.5x semi-annual step-down until it reaches 4.5 times.

The exit financing is provided by an undisclosed group of creditors.

Skillsoft filed for bankruptcy in June after a plan to transform the business was derailed by the coronavirus.

On June 12, the company signed a restructuring support agreement with a group of first and second-lien creditors agreeing to a debt-for-equity swap.

Skillsoft said on August 6 it would emerge from bankruptcy "in the coming weeks".

EUROPE/MIDDLE EAST/AFRICA

▶ NMC HEADS TO ABU DHABI

NMC HEALTHCARE LLC plans to file for administration in Abu Dhabi, the UAE-based hospitals operator said, as it targets a three-year recovery plan involving a debt moratorium, debt restructuring and asset sales.

Its London-listed holding company NMC Health Plc is already being run by administrators Alvarez & Marsal after going into administration in April following months of turmoil over its finances.

NMC Healthcare plans to file for administration with the Abu Dhabi financial centre ADGM. Alvarez & Marsal will also be appointed as administrators of the UAE business.

"We are looking to move there as soon as we can," Marija Simovic, managing director of Alvarez & Marsal told Reuters, saying the administrators were working with lenders.

The administration process is similar to a Chapter 11 protection in the US and will allow NMC to seek a debt restructuring deal with dozens of lenders and sell assets to strengthen its balance sheet.

NMC's implosion this year amid allegations of fraud and the disclosure of more than US\$4bn in hidden debt has left some UAE and overseas lenders with heavy losses and prompted legal battles to try and recover money owed.

NMC Health is the largest private healthcare provider in the UAE, operating more than 200 facilities including hospitals, clinics and pharmacies.

As part of its restructuring plan, NMC and its lenders will have until January 30 to deliver a binding reorganisation plan or the process will move to core asset sales.

Negotiations will begin soon and a term sheet will be delivered to lenders by October 31, NMC said.

NMC has agreed terms with existing lenders to raise up to US\$300m to fund the business as it prepares to enter administration.

NMC said significant cash has been extracted from the company, resulting in constrained liquidity and payment defaults to lenders and suppliers.

The company said based on initial assessments of its first-half 2019 accounts, the preliminary view is that net revenue and Ebitda were overstated by 24% and 178%, respectively. A full-year audit was not completed by auditor EY.

The business had a strong start to 2020, but the outbreak of the new coronavirus led to significant declines in revenue and Ebitda from March to May.

Performance started to improve in June, with both June and July performing better than forecast, it said.

▶ SWISSPORT BAGS EXTRA LIQUIDITY

SWISSPORT has secured €300m of extra liquidity from senior secured creditors that will support operations while it revamps amid the pandemic crisis, in a move that could squeeze out Chinese owner HNA Group.

"The agreement 'in principle' on a comprehensive restructuring includes significant deleveraging and a new €500m long-term debt facility, which will replace the interim facility," the airport ground services group said without naming the creditors.

Reuters reported in May that a trio of distressed securities investors led by Apollo Global Management had bought debt of Swissport and were holding talks with the company as it seeks cash to ride out the Covid-19 crisis.

The latest cash injection will add to the more than €200m of liquidity Swissport had on August 18, it said. The restructuring is expected to be completed in late 2020.

"The 300m clearly is very important to give us the liquidity to confidently trade through the Covid pandemic for the next months or year to come, and also clearly gives us the liquidity to bridge the restructuring process," CFO Peter Waller told journalists on a call.

"That is a committed facility, only subject to final documentation. We actually expect to receive funds in due course in coming days."

Executives declined to comment on whether HNA would remain owner, saying detailed terms of the restructuring were expected to be released within days.

"I think you're familiar with how restructurings typically turn out," Waller said.

Swissport said it had managed the market disruption from the Covid-19 pandemic with stronger trading results and better liquidity than originally anticipated.

Revenue for the three months to June 30 fell 70% to €235.5m, with an uptick in volumes since the end of June.

It swung to an operating Ebitda loss of €67m for the second quarter but in July managed to record positive Ebitda from better revenue, cost reductions and state assistance.

ASIA-PACIFIC

▶ GENTING HONG KONG SUSPENDS PAYMENTS

Cruise operator **GENTING HONG KONG** announced that it will temporarily suspend all payments to its financial creditors in order to preserve liquidity amid growing pressure on its business due to the coronavirus pandemic.

The suspension applies to interest and charter payments as well, and follows the failure of two of Genting Hong Kong's subsidiaries – **DREAM GLOBAL ONE** and **DREAM GLOBAL TWO** – to pay €3.7m in bank fees on Monday.

The missed payments constitute an event of default and Genting Hong Kong has asked financial creditors to form a steering committee to evaluate the group's restructuring proposal.

Genting Hong Kong said it will use its remaining available cash to maintain critical services for the group's operations.

In August last year, Dream Global One and Dream Global Two obtained €1.37bn and €1.27bn in 12-year loans respectively. BNP Paribas, Citibank, Credit Agricole, Credit Suisse, DNB Bank and KfW IPEX-Bank were the MLABs on both deals.

As of July 31 2020, Genting Hong Kong's outstanding financial indebtedness was US\$3.37bn, it said.

Shares of Genting Hong Kong plunged as much as 39% on Thursday morning.

On August 7, Genting Hong Kong said in a stock exchange filing that it expected to record an unaudited consolidated net loss of not less than US\$600m for the six months ended June 30 because of the suspension of most its operations within the latest reporting period as a result of the Covid-19 pandemic.

In addition to cruises, Genting Hong Kong is also involved in gaming, entertainment and hospitality activities.

A family trust of Lim Kok Thay, chairman and chief executive of Malaysia's Genting, is the majority shareholder of Genting Hong Kong.

FRONT STORY SINGAPORE

Rare boost for Singapore ECM

Wilmar block, EB raises US\$850m for US agri giant ADM

A rare jumbo offering from beyond the property sector has breathed new life into Singapore's equity capital markets.

US agri trader Archer Daniels Midland last Wednesday raised US\$850m from its stake in Singapore-listed *Wilmar International*, split between a US\$550m block trade and US\$300m exchangeable bond.

The block trade, upsized from an initial US\$500m target, is Singapore's biggest overnight block since Temasek sold S\$1.28bn (US\$934m) of Singapore Telecommunications shares in 2012.

The zero-coupon three-year EB was priced at 104, implying a negative yield of -1.3%. This is the lowest yield on an Asia Pacific exchangeable, beating the -0.5% offered by Taiwan's United Microelectronics in 2009.

The deals had a lot to recommend them. ADM's strong A2/A credit rating, the upbeat outlook for the agri-commodity sector and the planned ChiNext IPO of Wilmar subsidiary **YIHAI KERRY ARAWANA** attracted investors.

"It was a blowout transaction with the EB books covered nine times," a banker on the deal said. "The pricing dynamics were strengthened by the backing of an A rated issuer and a potential A-share listing."

Moody's has an A2 rating on ADM with a stable outlook.

The Wilmar block priced at the bottom of a S\$4.40-\$4.55 range. Around 170.5m Wilmar shares were sold, equal to a 2.68% stake.

Pricing was a 9.5% discount to the S\$4.86 last close. Wilmar shares closed 10% lower at S\$4.36 on Thursday, up 5.8% this year.

Wilmar's EB is only the second negative-yield equity-linked offering this year in Asia after Anta Sports Products issued €1bn (US\$1.18bn) of convertible bonds in January at a negative yield of -0.05%.

The exchangeable premium of Wilmar was fixed at 22.5%, from a range of 20%-25%. The EB traded up to 106 last Thursday.

The block and the EB were multiple times covered with demand from regional and global international long-only investors and hedge funds. Around 80 accounts participated in the block and 100 in the EB.

"Usually long-only institutions account for 50%-55% of a convertible or exchangeable book, but in this transaction, they were around 60%-70%," another ECM banker on the deal said.

SHOT IN THE ARM

Eight months into the year, equity offerings have reached less than half last year's record

US\$9.66bn total – driven, as usual, by real-estate investment trusts. What is more, almost all of this year's US\$4bn total came from just one deal – Singapore Airlines' rights issue.

Before the sell-down, Wilmar's shares had risen 25% since it said on June 23 that the China unit had filed a draft prospectus for Yihai Kerry's planned Rmb13.9bn (US\$2bn) IPO on the Shenzhen Stock Exchange's ChiNext.

"A large institutional exit just before the IPO can give the impression that valuations have topped," an ECM banker away from the deal said.

The IPO of the agricultural and food processing company is slated to be the biggest on the start-up board and is awaiting final regulatory approval.

ADM said it would retain at least a 20% stake in Wilmar after the block and EB, including any exchange of the bonds. It plans to use the funds for general corporate purposes, which may include acquisitions, debt repayment and its stock buyback plan.

Bank of America, *Citigroup* and *Goldman Sachs* were bookrunners on the block and EB, while *Barclays* was the passive bookrunner. *BNP Paribas* and *Deutsche Bank* were co-managers on both portions, with *MUFG* joining as co-manager on the EB.

Anuradha Subramanyan

KKR goes in-house for US\$500m Fiserv block

PE firm begins sale of US\$11bn stake in payments processor

Private equity firm KKR & Co snubbed the big banks by using its own capital markets division to begin the sell-down of its US\$11bn stake in payments processor **FISERV**.

One of the biggest sponsor overhangs (and fee opportunities) in all of US capital markets, KKR's inevitable staged sell-down of its 16.5% Fiserv holding started with a quickfire US\$500m block trade late on Tuesday. The stake was inherited from last year's merger with First Data, a long-time KKR portfolio company.

KKR sold 5m of its 110.4m Fiserv shares at US\$100.00 a share or a 2.6% discount to pare the holding marginally to 15.7%.

Unlike KKR's usual approach to secondary ECM, no bulge brackets were involved in the process.

Instead, KKR's own capital markets arm acted as sole bookrunner. *BTIG* acted as lead manager and settlement agent, and, in a nod to diversity on Wall Street, 16 small firms, including minority owned broker-dealers, acted as co-managers.

The offering included a 2% or US\$10m gross spread for the syndicate, though the SEC filing for the deal implies most of this will be kept by KKR.

NEXT TIME?

Whether KKR will bring back the big banks for larger sales is unclear. Fiserv's shares had fallen to US\$97.00 by Thursday's session, a disappointing aftermarket performance.

The sale was a surprise given KKR has indicated an unwillingness to sell at current

levels (the stock traded as high as US\$125.00 in February) and on the basis that the full merger benefits are still to be realised.

However, the offering came with only a 30-day lock-up, suggesting it may not be long before KKR looks to sell more stock.

The sale was the first since the Fiserv merger, though KKR sold US\$1.5bn of First Data stock in August 2018, one of three follow-ons since it took the company public in 2015. *Citigroup*, *Bank of America*, *PNC Capital Markets*, *Wells Fargo*, *Deutsche Bank* and KKR itself were bookrunners on that offering.

Deal watchers have noted KKR has been active in monetising some of its public securities portfolio of late, though speculation about near-term sell-downs had centred more on holdings in *Ingersoll Rand* and *BridgeBio Pharma* than Fiserv.

Anthony Hughes

ASIA-PACIFIC

CHINA

SMIC FULLY EXERCISES IPO GREENSHOE

Chipmaker **SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORPORATION** has fully exercised the greenshoe on its A-share Star IPO, lifting the deal size to Rmb53.2bn (US\$7.7bn).

It exercised 253m shares at the issue price of Rmb27.46 for a further Rmb6.9bn. The base deal consisted of 1.7bn shares. Of the shares on offer, about 43.5% were allotted to strategic investors.

Proceeds will be used to set up a technology production line and replenish working capital. The remainder will be reserved for R&D purposes.

Haitong Securities was stabilisation manager.

JD HEALTH BRINGS IN HILLHOUSE

JD HEALTH has attracted an investment of over US\$830m from Hillhouse Capital ahead of a Hong Kong IPO.

The online healthcare unit of JD.com entered into an agreement with Hillhouse on the investment on August 17 and the deal is expected to be closed in the current quarter, according to JD.com's interim financial results.

JD.com will remain the majority shareholder of JD Health after the transaction.

The Hillhouse investment would help JD Health further strengthen its pharmacy supply chain capabilities and explore additional healthcare services opportunities in the broader healthcare sector, said JD.com.

IFR reported last month that JD.com was considering a Hong Kong IPO for JD Health in a deal that could raise at least US\$1bn and is expected to come at the end of the year or early in 2021.

Bank of America, *Haitong International* and *UBS* are leading the transaction.

JD Health was spun off from JD.com in May last year and provides pharmaceutical and healthcare products and internet healthcare services to customers.

It raised US\$931m last November through the sale of a 13.5% stake in a private financing that valued the company at about US\$6.9bn.

NONGFU SPRING PRE-MARKETS IPO

NONGFU SPRING started pre-marketing last Monday for a Hong Kong IPO of about US\$1bn.

The company, one of China's biggest bottled water and beverage companies, plans to offer up to 1.38bn shares.

Books are scheduled to open on August 24.

CICC and *Morgan Stanley* are joint sponsors.

Nongfu Spring posted a net profit of Rmb1.9bn (US\$278m) for the first five months of 2020, down 18% over the same period in 2019.

FUTU BUILDS WAR CHEST

FUTU HOLDINGS, an online brokerage firm backed by Tencent Holdings, has raised US\$314m from a primary follow-on.

The company sold 9.5m American Depositary Shares at US\$33 per share, representing a 6.7% discount to the company's close of US\$35.40 last Tuesday.

There is a 15% greenshoe.

Proceeds will be used for its margin financing business and general corporate purposes.

Goldman Sachs, *Credit Suisse*, *UBS* and *Haitong International* were bookrunners.

Futu shares rose 4.4% last Tuesday and have risen 243% this year.

CMS COMPLETES H-SHARE RIGHTS

CHINA MERCHANTS SECURITIES has raised HK\$2.4bn (US\$310m) from an H-share rights issue, after raising Rmb12.7bn (US\$1.83bn) from the A-share leg last month.

The Shanghai and Hong Kong-listed Chinese brokerage sold 294m H-shares at HK\$8.18 each on a 3-for-10 basis. The offer was 3.2 times oversubscribed.

China Merchants Securities and *Citic Securities* are the joint global coordinators and joint underwriters with *CMB International*.

China Merchants Securities last month sold 1.7bn A shares at Rmb7.46 each on a 3-for-10 basis.

Citic Securities was the sponsor.

CMS will use the proceeds to fund capital increases at its subsidiaries, to diversify and

invest in intermediary and investment businesses, and to replenish working capital.

HARBOUR BIOMED PLANS IPO

HBM HOLDINGS, also known Harbour Biomed, is planning to raise about US\$200m–\$300m from a Hong Kong IPO this year, according to people close to the deal.

The company filed a listing application on Tuesday without mentioning a fundraising size or timetable. *Bank of America*, *CLSA* and *Morgan Stanley* are the joint sponsors.

Harbour Biomed is a clinical-stage biopharmaceutical company developing antibody therapeutics for immunology and oncology diseases. It has 11 projects in the pipeline.

It lost US\$48.4m for the first half of 2020, compared to a US\$37.5m loss over the same period of 2019.

Legend Capital owns a 10.4% stake in the company while GIC owns 8.04%.

JW THERAPEUTICS FILES FOR HK IPO

JW (CAYMAN) THERAPEUTICS has filed to the Hong Kong bourse for an IPO. IFR reported in May it was targeting about US\$200m–\$300m from a listing this year.

The cell-therapy company was founded in 2016 by Juno Therapeutics and WuXi AppTec in Shanghai. It has seven candidates in the pipeline, mainly cell-based immunotherapies to treat cancer, leveraging Juno's cell therapy technologies and WuXi AppTec's contract manufacturing services.

It posted a Rmb650m (US\$94m) loss for the six months ended June 30, 81% up from a loss of Rmb358m in the same period last year. It had an annual loss of Rmb633m in 2019.

JW Therapeutics raised US\$90m from a private round in March 2018 led by Temasek Holdings, Sequoia Capital China and YuanMing Capital.

ASIA-PACIFIC EQUITIES (EX-JAPAN)

BOOKRUNNERS: 1/1/2020 TO DATE

ASIA-PACIFIC EQUITIES

BOOKRUNNERS: 1/1/2020 TO DATE

	Managing bank or group	No of issues	Total US\$(m)	Share (%)
1	Morgan Stanley	67	16,119.02	8.4
2	Goldman Sachs	64	12,335.01	6.4
3	CICC	57	10,770.00	5.6
4	Citic	54	10,251.79	5.3
5	China Secs	35	9,414.44	4.9
6	JP Morgan	44	9,312.55	4.8
7	UBS	58	8,649.41	4.5
8	Citigroup	44	7,044.70	3.7
9	Credit Suisse	39	6,807.70	3.5
10	HSBC	28	5,370.22	2.8
	Total	1,608	192,677.24	

Including all domestic and international deals and rights issues

Source: Refinitiv

SDC code: C4a1

	Managing bank or group	No of issues	Total US\$(m)	Share (%)
1	Morgan Stanley	62	15,825.23	8.6
2	CICC	57	10,770.00	5.8
3	Goldman Sachs	61	10,689.31	5.8
4	Citic	54	10,251.79	5.5
5	China Secs	35	9,414.44	5.1
6	JP Morgan	44	9,312.55	5.0
7	UBS	58	8,649.41	4.7
8	Citigroup	42	6,916.77	3.7
9	HSBC	28	5,370.22	2.9
10	Credit Suisse	37	5,304.36	2.9
	Total	1,521	184,937.00	

Including all domestic and international deals and rights issues

Source: Refinitiv

SDC code: C4a2

Seattle-based Juno was acquired by Celgene in a US\$9bn deal in January 2018. Bristol-Myers Squibb then bought Celgene for about US\$74bn last year to combine two of the world's largest cancer drug businesses.

Goldman Sachs and *UBS* are the joint sponsors.

NEW-LOOK CHINEXT STOCKS DEBUT

The first 18 companies to list under the ChiNext board's revamped trading rules will begin trading on August 24, free from the traditional caps on first-day price movements.

The Shenzhen Stock Exchange, which operates the Nasdaq-style ChiNext, named 18 companies in the first batch, comprising 16 that have already completed bookbuilding and two due to wrap up their IPOs by end of week. The 18 are set to raise a combined Rmb20.1bn (US\$2.9bn), beating their original target of Rmb15.7bn.

The reforms to the ChiNext board mirror many features of the Shanghai Star market. For instance, there will be no price limits for the first five trading days, after which point stocks can rise or fall up to 20% a day. Until now, ChiNext has imposed a 44% cap on first-day gains and a 10% daily swing thereafter. Of the 18 companies, event promoter FengShangShiji set the highest price per share of Rmb138.02 for its Rmb2.49bn IPO, and Contec Medical Systems the lowest at Rmb10.16.

Contec Medical's valuation of 59.74 times 2019 earnings is the highest among the 18. The lowest P/E multiple is 19.08, set by Ningbo KBE Electrical Technology, a manufacturer of automotive wires and cables.

The SZSE began accepting applications under the new streamlined, US-style registration system on June 30. As of August 16, 364 companies have filed for ChiNext IPOs, with a combined Rmb229bn target.

The China Securities Regulatory Commission has approved registrations from five other ChiNext candidates which have yet to conduct bookbuilding.

CINDA SECURITIES READIES A-SHARE IPO

CINDA SECURITIES, a spin-off from China Cinda Asset Management, has hired *China Securities* as IPO tutor ahead of a possible A-share listing.

It did not disclose the listing venue or the size of the fundraising.

Hong Kong-listed China Cinda AMC announced plans to spin off the subsidiary on August 6.

The brokerage's earnings have been declining for the past five years. It posted a

2019 net profit of Rmb210m (US\$30m) on revenues of Rmb1.63bn, down sharply respectively from Rmb2.07bn and Rmb4.8bn in 2015.

Chinese brokerages have been rushing to list in the A-share market.

BOC International Securities, Zhongtai Securities, and Guolian Securities completed Shanghai IPOs this year, while the China Securities Regulatory Commission is reviewing listing applications from Caida Securities and Wanlian Securities.

Hong Kong-listed CICC, which is at the tutorial stage for its Shanghai IPO, last month more than trebled the number of shares it plans to offer.

INDIA

PHOENIX MILLS DEAL IN DEMAND

PHOENIX MILLS' Rs11bn (US\$147m) qualified institutional placement of new shares was subscribed around five times and global sovereign funds bought nearly 50% of the deal, people with knowledge of the transaction said.

There was participation from 50 accounts.

The Indian company sold 18.2m shares, or 11.85% of the pre-issue capital, at Rs605 apiece.

The price represents a 6.4% discount to the pre-deal close of Rs646.20. Shares in the mall developer ended at Rs649.10 on Thursday and have fallen 21% this year.

There is a 60-day lock-up on the company and controlling shareholder Ruia International.

The funds from the QIP will be used to expand the mall business and repay debt.

CLSA, *HSBC*, *Kotak* and *UBS* were the bookrunners.

HAPPIEST MINDS TARGETS SEPTEMBER IPO

IT services provider **HAPPIEST MINDS TECHNOLOGIES** plans to launch an IPO of around US\$100m in September subject to regulatory approval, people with knowledge of the transaction said.

The deal will comprise primary shares totalling Rs1.1bn and 35.7m secondary shares. Controlling shareholder Ashok Soota and JP Morgan Asset Management are the vendors of the secondary shares.

Institutional buyers will be allocated 75% of the offer, high-net-worth investors 15% and retail investors 10%.

ICICI Securities and *Nomura* are the lead managers.

Happiest Minds serves clients in the retail, consumer packaged goods, e-commerce, banking, insurance, transportation and hospitality sectors.

JAPAN

FOUNDER SELLS DOWN GRACE TECH BLOCK

GRACE TECHNOLOGY's founder and president and associated parties have raised ¥12bn (US\$113m) from an overnight block trade in the Japanese business support company, according to a person close to the deal.

The sell-down of 2.6m shares, or 18.3% of outstanding, was priced at ¥4,626 each or a 10% discount to the pre-deal close of ¥5,140. The block was marketed at an 8%–11% discount.

The selling shareholders were founder and president Yukiharu Matsumura, his asset management company NMC KK and family member Nobuko Matsumura.

Yukiharu Matsumura remains Grace's largest shareholder with a 9.85% stake, down from 16.63%.

There is a 180-day lock-up on the sellers.

Goldman Sachs was the sole bookrunner.

I-NE PLANS TSE IPO

Japanese cosmetics and beauty company **I-NE** is planning an IPO of up to ¥6.2bn (US\$58m) on the TSE.

The offering of 1.7m primary shares and 428,400 secondary shares is being marketed in an indicative price range of ¥2,050–¥2,890, giving the company a potential market capitalisation of ¥18.6bn–¥26.2bn.

There is a greenshoe of 321,300 primary shares.

Retail buyers will be allocated about 70% of the deal and institutional investors the remainder.

Established in 2007, I-ne runs a range of beauty-focused brands, including Botanist, Salonia and Laka, with sales channels covering Asia, Australia and North America.

Bookbuilding will run from September 8 to 14. The deal will be priced on September 15 and the shares are expected to list on the bourse on September 25.

SMBC Nikko is the sole bookrunner.

MALAYSIA

MR DIY MEETS CORNERSTONES FOR IPO

MR DIY GROUP has started meeting potential cornerstone investors for a US\$300m–\$500m IPO and is targeting an October launch, people with knowledge of the transaction said.

The home improvement retailer's IPO will comprise 941.5m shares, of which 564.9m will be secondary and 376.6m primary. Private equity firm Creador and founder Tan Yu Yeh are among the vendors.

The institutional tranche will comprise 780m shares and retail 161.5m.

Mr DIY has over 500 outlets in Malaysia and also owns stores in Thailand, Brunei and Indonesia.

CIMB, Credit Suisse, JP Morgan, Maybank and RHB are the joint global coordinators and bookrunners with UBS.

PHILIPPINES

CONVERGE ICT PLANS IPO PRE-MARKETING

Internet service provider **CONVERGE ICT SOLUTION** plans to start pre-marketing an IPO of up to Ps31bn (US\$641m) in September, people with knowledge of the transaction said.

The IPO comprises a base deal of up to 1.3bn shares with a 195m shares greenshoe at a maximum price of Ps24. The company is expected to raise around US\$500m as IPOs in the Philippines are typically priced well below the maximum price.

Up to 415.7m primary shares and 886m secondary shares will be sold in the base deal. Comclark Network and Technology Corporation, backed by Warburg Pincus, and Coherent Cloud Investments are the vendors of the secondary shares. Around 70% of the offer will be sold to institutions and 30% to local brokers and retail investors.

Morgan Stanley and UBS are the joint global coordinators and joint bookrunners with BDO Capital and BPI Capital.

Converge ICT is the country's largest broadband operator with a 54% market share as of March 31 2020. It reported revenue of Ps9.1bn for the year ended December 31 2019 and operating earnings of Ps4.6bn.

Warburg Pincus invested US\$250m in the broadband service provider last year in its first investment in the Philippines.

Local businessman Dennis Uy is the founder of Converge ICT.

The IPO funds will be used for the company's planned US\$1.8bn expansion of the national internet network.

EUROPE/MIDDLE EAST/AFRICA

GERMANY

RWE LURES ESG MONEY WITH €2bn RENEWABLES RAISE

Utility **RWE** attracted a number of ESG specialist investors in Tuesday night's €2bn

10% capital raise, but also many large long-only accounts that wanted to increase their exposure to a strong ESG name.

RWE is targeting net investment of €5bn through 2022 to expand its renewables portfolio to more than 13GW from around 9GW currently.

Some of the proceeds from the 10% raise will go towards financing the planned acquisition and realisation of a 2.7GW project pipeline from Nordex. RWE expects to commission the first projects from the portfolio in 2021 and to bring about 500MW online by 2025.

Proceeds from the capital raise also go towards short-term capacity build-out, enhancements to the pipeline and to mid and long-term growth opportunities in renewables.

A banker involved said that a 10% raise was sufficient for RWE and that was the driver for a quick-to-market exercise as opposed to a more structured rights issue requiring several weeks and a prospectus.

There was also a desire to keep leverage at around three times net debt, providing the impetus for an equity raise. As a result, key shareholders formed the bulk of investors wall-crossed during the day on Tuesday, providing indications of interest in excess of the deal size ahead of launch. Sovereign wealth funds were also involved.

Books were formally covered within half an hour of launch on an offering of approximately 61.5m shares with guidance of €32.55 to the €34.24 Tuesday close. A second banker on the deal said that sensitivity was around €32.50–€33 and pricing came at the bottom of the range for a 4.9% discount.

The deal was approximately three times subscribed, with the top 10 accounts taking around half of a book of 150 lines, with the top 20 accounts taking around three-quarters.

"This is a huge ESG name," said the second banker. "There's an ESG bias but that includes big global institutional investors with ESG mandates. It's one sector that gets bought relentlessly in the same way that tech names get bought in the US, and RWE is a big winner in this space."

The first banker said that there was consistent topping up from existing shareholders and a number of anchor positions.

RWE stock opened above pricing at €32.82, briefly dropped below, but stayed above €32.60 for much of the day and closed down 4.6% at €32.67.

Barclays, Bank of America and Goldman Sachs were bookrunners.

CUREVAC SHARES CONTINUE ASCENT

Following a 250% rise on debut trading on the Nasdaq stock exchange on August 14,

shares in German vaccine maker **CUREVAC** continued their ascent last Monday jumping a further 40% in the first half hour of trading.

Shares closed their second day of trading last Monday at US\$77.20 each, 383% higher than IPO pricing of US\$16 per share.

Its market cap jumped to around US\$15bn during Monday trading, more than five times the US\$2.8bn IPO value.

Throughout the rest of last week shares tapered off, losing 15% and 13% of their value last Tuesday and Wednesday, but regaining 16% on Thursday to close at US\$66.

The issue price was already at the top end of the initial US\$14–\$16 per share range, with 13.3m shares offered by bookrunners Bank of America, Jefferies and Credit Suisse. The final book was 10 times covered.

BIONTECH COMPLETES FOLLOW-ON

There was final, if negligible, take-up for the European leg of German but US-listed vaccine developer **BIONTECH**'s recent US\$511.5m follow-on, with less than 1% take-up of 16,124 shares subscribed.

Shareholders owning 74.83% of share capital irrevocably committed to transfer their rights providing the underlying for the ADS offering, which was underwritten. As a result, approximately 2m shares were offered in a rights issue to European shareholders at the equivalent of the US\$93 pricing in the ADS offering.

The stock has been trading below pricing, and was around US\$67 on Thursday.

BioNTech is working with Pfizer on a Covid-19 vaccine.

JP Morgan, Bank of America and Berenberg were lead bookrunners on both the ADS offering and rights issue, with UBS as bookrunner and Canaccord Genuity as lead manager. Commerzbank, Wolfe Capital Markets and Advisory, and Bryan, Garnier & Co were co-managers on the ADS offer.

EMEA EQUITIES

BOOKRUNNERS: 1/1/2020 TO DATE

	Managing bank or group	No of issues	Total US\$(m)	Share (%)
1	Goldman Sachs	48	9,088.48	9.5
2	Morgan Stanley	35	8,216.71	8.6
3	JP Morgan	58	7,958.85	8.3
4	Citigroup	41	7,790.30	8.1
5	Bank of America	36	7,256.88	7.6
6	Credit Suisse	30	6,402.81	6.7
7	Barclays	35	4,860.30	5.1
8	UBS	19	3,154.65	3.3
9	Jefferies	32	2,617.14	2.7
10	BNP Paribas	26	2,602.25	2.7
	Total	645	95,679.43	

Including all domestic and international deals and rights issues

Source: Refinitiv

SDC code: C4cr

» SCHAEFFLER SEEKING CAPITAL INCREASE AUTHORISATION

Auto and industrial supplier **SCHAEFFLER** will hold an EGM on September 15 to ask shareholders for authorisation for a capital increase involving up to 200m new shares.

Schaeffler's share capital totals 166m shares for a market capitalisation of €1bn, based on Thursday's €6.18 opening price.

If agreed by shareholders, Schaeffler will have up to five years to issue the stock, with the aim of strengthening the capital base, increasing the free-float, and taking advantage of growth opportunities.

Schaeffler stock closed down 11.79% at €5.685 on Thursday.

Schaeffler floated a €895m Frankfurt IPO in October 2015 which was priced at €12.50 per share. The stock was down 33% year-to-date as of the Wednesday close.

ISRAEL

» NANO-X IMAGING DRAWS A CROWD IN NASDAQ DEBUT

NANO-X TECHNOLOGIES was the dark horse pick among last week's Nasdaq IPOs.

The Israel-based developer of a new digital X-ray machine underscored its sleeper status by landing US\$166m from an IPO that was twice upsized and priced at the top of the range.

Cantor, Oppenheimer, Berenberg and CIBC Capital Markets were more than 10 times oversubscribed after originally marketing 5.88m shares at a US\$16–\$18 range and increased the offering size to 8.8m shares in an amended IPO filing.

Proving mid-sized banks can produce big outcomes, the banks went on to place 9.2m shares at US\$18, a 56% upsize from the original terms.

The IPO values Nano-X at US\$885m.

The valuation is backed with an easy-to-understand business that touches on value-based healthcare and software-as-a-service investment themes.

Though analogue X-ray machines have been around since the late-19th century, the Nano-X Arc system would replace analogue units with a new type of digital X-ray machine powered by semiconductors.

Pending regulatory approval, Nano-X expects to begin selling the Arc system by early next year. The system provides 3-D imaging comparable to more expensive MRI machines. The savings would be passed on to patients and their healthcare carriers.

Data from the Arc system can be collected, stored and shared among doctors using an accompanying software package called "CLOUD". Nano-X calls its platform "medical screening-as-a-service" or MSaaS.

MAURITIUS

» IHS KICKS OFF PROCESS FOR NEW YORK FLOAT

After years of speculation, **IHS TOWERS** confirmed on Tuesday that it is exploring an IPO in the US, though there was no information on either timing or the amount of the company that will float in New York, and any offer requires first an SEC registration and review process.

With approximately 28,000 towers, IHS is one of the largest independent owners and operators of telecoms towers globally, with a focus on Africa, the Middle East and Latin America. The largest concentration is in Nigeria with 16,481 towers, with a large number of sites in Brazil, Côte d'Ivoire, Cameroon and Zambia, with operations also in Kuwait, Rwanda, Peru and Colombia.

Transactions with Zain Kuwait and with CSS to add towers in Brazil, Colombia and Peru were completed this year.

The news of the proposed listing was provided by French investment business Wendel, which has a 21.3% stake in IHS and first invested in the African towers business in 2013. Wendel sits alongside a number of top-tier long-term investors, including the World Bank's IFC, Investec and Dutch development bank FMO, all three of which first invested nearly a decade ago. Also invested is Goldman Sachs, which joined as a shareholder as part of a US\$490m financing round in early 2014, and also participated in a US\$2.6bn fundraise, including US\$600m of debt, later that year.

MTN has a 29% stake, which it valued at R23bn in June 2019 (US\$1.3bn currently, US\$1.6bn at the time). As of September 2019, MTN said that IHS Holdings had US\$2.7bn of debt. That would suggest a market capitalisation of more than R79bn (US\$4.5bn), with an enterprise value of around US\$7.25bn.

IHS said that its shareholders had pumped more than US\$3.4bn into the business to fund growth initiatives.

IHS was mooted as a potential New York listing in 2018 when Africa-focused Helios Towers first attempted to IPO, abandoning the deal after pre-marketing. Media reports at the time suggested that plans for an IHS IPO were scrapped due to uncertainties over elections in Nigeria.

The Helios deal returned in 2019, and despite bottom-of-the-range pricing on a deal size of £250m, Helios Towers came through a difficult period for European floats in late 2019, when a handful of others deals were cancelled.

Off pricing of 115p in the IPO, Helios began the year at 149.3p and had reversed

the mid-March Covid-19 slump to push above 205p by early June, coming off since to open on Tuesday at 156.2p. The market cap is £1.55bn and Helios trades at 10.5 times EV/Ebitda, again suggesting an enterprise value of US\$7bn for IHS, based on reported Ebitda of US\$669m as of December 31, according to an IHS presentation.

If IHS does come to market, it will still likely be eclipsed by an even larger towers IPO.

Vodafone is working with Bank of America, Morgan Stanley and UBS on the potential €3bn–€4bn 2021 listing of its Vantage Towers business, expected to be valued at around €16bn.

NETHERLANDS

» FOUR BOARD MEMBERS SELL 1.7% OF ADYEN

Four members of **ADYEN**'s management board sold around 1.7% of the Dutch payments firm on Thursday evening, cashing in a collective €692.9m.

The selling group included Adyen's co-founders, CEO Pieter van der Does and CTO Arnout Schuijff, as well as CFO Ingo Uytendaele and CCO Roelant Prins.

They shed about 15% of their total holdings, and are locked up for 180 days on their remaining stakes.

Timing reflected a window of opportunity after publication of the company's first-half results on the same day, when management is allowed to sell shares. The sell-down comes almost one year to the day after Adyen's two co-founders sold 1.7% of the firm on August 22 2019.

Goldman Sachs and *JP Morgan* were bookrunners on the unexpected but well-received trade.

A total of 507,631 shares were sold at €1,365 each, representing a 4.1% discount to Thursday's close of €1,420.50.

The sale corresponded to around seven days' trading volume in Adyen.

Adyen first-half financials showed a 12% rise in Ebitda, growing to €140.9m, and net revenue up 27% to €279.9m.

The continued growth of Adyen as well as the wider tech space was said to be a key factor driving demand for Thursday's bookbuild, which was well supported by existing shareholders and attracted demand from the US.

Shares in Adyen fell below ABB pricing on Friday, and were down 5.6% at €1,340.50 each by 2:30pm in London. Adyen shares were up more than 91% this year as of the Thursday close and hit a record close of €1,487.50 in early August.

The trade is the first sell-down in Adyen this year, the last being General Atlantic's

sale of 0.7% of the company for €137m in December.

Last year saw six separate sell-downs in Adyen following its €950m Amsterdam float in June 2018.

UNIBAIL ACKNOWLEDGES RIGHTS ISSUE SPECULATION

Shopping centre landlord **UNIBAIL-RODAMCO-WESTFIELD** is thought to be considering a €3bn rights issue to cut debt as it deals with fallout from the ongoing coronavirus pandemic, and the group acknowledged the speculation in a statement late last Sunday.

URW shares dropped more than 5% on Monday, and have suffered significantly this year. Shares were down 70% as of Friday's €42.91 close, a level not seen since 2003.

UK peer Hammerson set terms the week before last for a £552m underwritten rights issue backed by its two largest shareholders. Intu Properties collapsed earlier this year when it was unable to proceed with a £1.43bn rights issue and is now in administration.

In reference to speculation of a potential rights issue, URW said that as at June 30 it had €12.7bn of cash and undrawn credit facilities. Its portfolio was valued at €60.4bn, with 86% in retail, 7% in offices, 5% in convention and exhibition venues and 2% in services. URW operates 89 shopping centres in 12 countries.

URW said it had taken a number of steps to mitigate any weakness in its liquidity and balance sheet, including cancelling its second dividend instalment, deferring capital expenditure, reducing its development pipeline and selling five French shopping centres for €2bn.

Asset disposals totalling €4bn are slated for the next couple of years, following €4.8bn of disposals completed by the group since June 2018. Other deleveraging measures are being considered.

In its first-half results, URW reported a 14.2% like-for-like decline in net rental income to €1.07bn, with leases signed down 44%.

URW raised €750m in June from 2032 bonds, as did office space developers Covivio and Alstria Office REIT, but URW had to offer concessions on pricing likely reflecting an investor view that retail property will be one of the slowest sectors to recover.

SOUTH AFRICA

SASOL TO TARGET UP TO US\$2bn IN H2 2021

Oil and chemicals company **SASOL** is aiming to carry out a US\$2bn rights issue in the

second half of fiscal 2021, as it continues to implement its two-year turnaround strategy.

In its full-year results last Monday the company reiterated the plan to raise fresh capital having first alluded to a capital increase in mid-March after its share price plummeted 80% in a week amid the onset of the coronavirus pandemic.

At the time *Bank of America* and *Citigroup* were confirmed as global coordinators alongside *JP Morgan* as bookrunner, with all three providing standby underwriting.

Shares dropped more than 5% last Monday to close at R138.89. They hit an all-time low of R20.77 on March 23.

By last Friday at 10.30am in London shares had ticked higher at around R143.6 each.

Its extensive financial overhaul also includes up to US\$2bn of asset sales, with an equal amount in cash savings and covenant amendments already agreed with lenders in June.

The company is grappling with a R189.7bn (US\$10.9bn) debt pile against the backdrop of the coronavirus crisis and lower oil prices.

It is aiming to reduce debt by US\$4bn–\$6bn by 2021.

Sasol's adjusted Ebitda for the year to June 30 fell 27% to around R35bn from R47.6bn in 2019. Its net-debt-to-Ebitda ratio was 4.3.

The price of Brent crude oil is down about a third since the beginning of 2020. It has recovered somewhat since the end of April when prices slumped to below US\$20 a barrel – a 70% drop from the beginning of the year.

SWEDEN

FSN CONCLUDES 2020 TRILOGY WITH BHG EXIT SALE

FSN Capital Shareholders made a clean break from home furnishing and building supplier **BHG GROUP** last Tuesday evening, selling its remaining 7% stake for SKr706m (US\$81.45m).

A total of 7.32m shares in BHG, formerly Bygghemma Group, were sold at SKr96.50 each, representing a 2.7% discount to last Tuesday's close of SKr99.20.

Shares in the home furnisher rose 7.9% last Wednesday, closing at SKr107 each.

It marks the third sell-down in BHG this year by the Nordic-focused investment firm, having shed 10% in February and 9% in May. BHG was acquired by FSN in November 2016.

Reflecting the upward momentum of BHG's share price since mid-March, FSN saw higher returns on its exit from the stock, with pricing 40% higher than the SKr69 pricing for the previous two ABBS.

Carnegie and *SEB* were bookrunners, joining forces after taking sole bookrunner roles on the two other sell-downs.

By last Friday at 10.30am in London BHG shares had continued their rise and were trading around SKr110.80 each.

CELLINK RAISES US\$109m FOR SCIENION ACQUISITION

3D bioprinting company **CELLINK** raised SKr946m (US\$108.6m) in fresh capital last Wednesday evening, to finance its €80m acquisition of German medtech company Scienion and for its continued M&A agenda.

Carnegie and *JP Morgan* ran the deal, which saw Cellink's share capital increase by 13.5% with 5.9m shares sold.

A limited wallcross took place before launch of the deal, which enjoyed strong support from existing shareholders and attracted an anchor order from one holder.

Some shareholder orders were in excess of their pro rata share in Cellink.

The new shares were priced at SKr160 each, representing a 1.7% discount to last Wednesday's close of SKr162.80 per share.

Last Thursday shares ticked higher despite the dilutive share sale, closing the day up 1.6% at SKr165.40.

The final book was around 100 lines and dominated by long-only accounts. The top 10 orders took around 75% of the book and the top 25 took about 85%.

SWITZERLAND

DUFREY TO FINANCE US\$311m HUDSON BUY WITH RIGHTS ISSUE

Travel retailer **DUFREY** is making its second trip to equity capital markets this year seeking acquisition financing, having dealt with Covid-19 concerns in April with a combo SFr500m 10% capital increase and three-year convertible bonds.

Dufrey is buying the remaining share capital of US and Canada-focused Hudson, which operates more than 1,000 duty-paid and duty-free stores in airports, commuter terminals, hotels and tourist destinations.

Dufrey already owns 57.4% of Hudson, which it floated in 2018 to fund a share buyback and dividends.

Hudson is being acquired for US\$7.70 per share in an all-cash deal worth around US\$311m and Hudson will be de-listed from the New York Stock Exchange. The purchase price represents a premium of 50.1% to Hudson's closing price of US\$5.13 on Tuesday.

Dufrey shares closed flat at SFr25.22 on Wednesday. The stock is down nearly 74% year-to-date and is below the SFr27.50

pricing for April's equity raise. The conversion price on the 2023 CBs was SFr33.

Financing for the acquisition comes through a rights issue fully underwritten by bookrunners *UBS* and *Credit Suisse*. No sizing was specified but the capital increase will be "sufficient to finance the transaction". The Hudson acquisition is expected to close in Q4.

UBS and Credit Suisse were global coordinators on the April raise alongside BNP Paribas and Goldman Sachs.

The transaction requires shareholder approval at an upcoming EGM, having been approved by the board of directors of both Dufry and Hudson and a special committee of independent directors of Hudson.

Dufry said the Hudson buy was part of its reorganisation, intended to simplify its corporate structure, and will improve its position in the current and new business environment. Annual cost-savings of at least SFr20m (US\$22m) are expected from the Hudson tie-up and follow other measures taken earlier in the year, including cutting spending, axing its dividend, using government schemes to reduce personnel costs and voluntary salary cuts.

UBS is exclusive financial adviser on the Hudson buy.

HELVETICA TO RAISE CASH FOR ACQUISITIONS

Property group **HELVETICA PROPERTY INVESTORS** intends to carry out a capital increase in September and is considering raising cash for acquisitions through its listed **HELVETICA SWISS COMMERCIAL FUND**.

Helvetica said that it was evaluating and negotiating, in some cases exclusively, on properties throughout Switzerland for more than SFr220m (US\$243m). Further details and terms are expected in September.

The HSC fund invests primarily in commercial buildings and properties in Switzerland and had total assets of around

SFr705m following the acquisition of a commercial property in the canton of Thurgau with a market value of SFr26.2m in July. As of its 2019 annual report, gross yield was 5.8% with a ROI of 6.33%, up from 5.7% the previous year.

AMERICAS

UNITED STATES

US ECM DRAWS A BREATH

US ECM bankers may look to bring some deals in the next two weeks in what is usually the traditional summer break for capital markets, but they are already beginning to peer ahead to an expected September rush while the funding window remains wide open.

As of mid-session Friday, NYSE-bound Chinese electric vehicle maker **XPENG** was the only live deal on the US IPO calendar for the coming week, having set terms earlier in the day for the sale of 85m shares at US\$11–\$13 for proceeds of up to US\$1.1bn.

The offering is expected to price post-close on Wednesday after a short roadshow, the degree of difficulty reduced given half the offering is already spoken for with indications of interests from investors, including existing investors Alibaba, Coatue, Qatar Investment Authority and Xiaomi.

Credit Suisse, *JP Morgan* and *Bank of America* are joint bookrunners.

The past week saw four IPOs raise US\$586m, but CBs (US\$4bn) blocks/overnights (US\$3.6bn) and SPACs (US\$3.4bn) were the biggest contributors in another hectic week for US ECM.

The past week's biggest news was home-sharing company Airbnb's announcement it had confidentially filed for an IPO, seemingly scotching earlier talk it might opt for a direct listing or a SPAC merger.

KYMERA TAKES WING WITH US\$173m IPO

KYMERA BIOSCIENCES capped a hot summer for biotech IPOs by raising US\$173m from an IPO that was increased in size and priced US\$2 above the range.

Like many of this year's biotech IPOs, Kymera was oversubscribed at launch with heavy support from existing shareholders from a late-stage private placement.

Morgan Stanley, *Bank of America*, *Cowen* and *Guggenheim Securities* carried that momentum into pricing 8.7m shares at

US\$20.00 on Thursday, versus original terms of 7.4m at US\$16–\$18.

The offer values Kymera at about US\$950m, a hefty valuation for a pre-clinical biotech. There is also a concurrent US\$8m private placement to partner Vertex Pharmaceuticals.

Kymera raised US\$102m privately in March from a Series C private funding round.

The Series C was a classic biotech crossover led by BVF Partners and Redmile Group and including Wellington Management, Bain Capital Life Sciences, Janus Henderson, BlackRock and Rock Springs Capital investing at US\$10.43 a share.

Kymera has about US\$300m of cash to help it develop new drugs that selectively degrade proteins that cause cancer and autoimmune diseases.

The platform, called Pegasus, is further endorsed with lucrative partnerships with Vertex Pharmaceuticals and Sanofi/Genzyme.

Vertex paid Kymera US\$70m upfront last May, including an equity investment, under a potential US\$1bn collaboration for developing up to six drugs from the Pegasus platform.

Sanofi paid US\$150m in July for development rights for two drugs in the Pegasus platform as treatments for autoimmune disorders.

Kymera and Sanofi expect to launch Phase I trials of their lead drug as a treatment for severe psoriasis by the middle of next year.

Kymera also benefited from a timely M&A tailwind.

Sanofi's US\$3.7bn cash bid for autoimmune disease specialist Principia Biopharma on Monday, followed by Johnson & Johnson's US\$6.5bn bid for Momenta Pharmaceuticals later in the week, both boosted sector valuations while returning cash to biotech investors.

HARMONY SOARS ON DEBUT

HARMONY BIOSCIENCES, a commercial-stage biotech focused on sleep disorders, raised US\$128.4m on Tuesday night from an IPO that was both upsized and priced above the range.

Goldman Sachs, *Jefferies* and *Piper Sandler* upped the number of shares sold by 15% to 5.35m shares at US\$24.00 after marketing 4.65m shares at US\$20–\$23.

It was anything but a sleepy debut. Harmony shares opened at US\$39.99 on Nasdaq to deliver investors an immediate 66.6% return.

Harmony traded as high as US\$43.00 before closing at US\$37.01, up 54% for the

US EQUITIES

BOOKRUNNERS: 1/1/2020 TO DATE

	Managing bank or group	No of issues	Total US\$(m)	Share (%)
1	Goldman Sachs	129	23,700.76	13.9
2	Morgan Stanley	115	22,201.12	13.0
3	JP Morgan	133	20,064.11	11.7
4	Bank of America	136	18,995.62	11.1
5	Citigroup	82	14,440.01	8.4
6	Barclays	69	11,158.55	6.5
7	Credit Suisse	56	7,175.59	4.2
8	Jefferies	83	4,907.03	2.9
9	Cowen	66	4,088.38	2.4
10	Evercore Partners	33	4,067.05	2.4
	Total	560	170,945.67	

Including all domestic and international deals and rights issues

Source: Refinitiv

SDC code: C3r

Inhibrx lands US\$119m from Nasdaq IPO

■ US Inhibrx follows RA Capital playbook to payday

INHIBRX, a Phase I developer of cancer drugs and rare diseases, raised US\$119m from its Nasdaq IPO last week after withdrawing a previous offering last year.

Jefferies, *Evercore* and *Credit Suisse* priced 7m shares at US\$17, the middle of the US\$16–\$18 range and up from 6m shares at launch, for US\$119m of proceeds.

The banks placed 85% of the shares among just 10 investors, including RA Capital and Viking Global Investors.

Inhibrx provided a 21% first-day pop, somewhat in line with the returns investors have come to expect from an RA Capital-backed biotech IPO.

Viking, billionaire Andreas Halvorsen's VC firm, led a US\$40m private placement last May

as an incoming investor, joining RA Capital and other existing shareholders.

The round was meant to be a crossover to a US\$75m IPO filed last June that never launched. Inhibrx withdrew the filing last November.

Both Viking and RA Capital in April participated in a US\$15m re-opening of last May's crossover.

RA Capital, an 8.4% shareholder, is a healthcare specialist investor who's preference for tight IPO allocations has become well known to biotech investors over the years.

Tight allocations are a big part of the RA Capital playbook.

Investors that do not receive their full allocations are ostensibly forced to do so in open trading.

RA Capital may be playing a risky game in betting that follow-through buying will always be there.

"Some investors get frustrated with their allocations after working for so long on testing-the-waters and other pre-marketing efforts," an ECM banker told IFR.

The strategy worked for Inhibrx, which closed first-day trading at US\$20.63 on trading volume of 2.86m shares (a US\$23.07 VWAP).

Inhibrx now has US\$215m cash for Phase I trials of four drugs in its pipeline. Three are cancer drugs and the fourth is a treatment for an inherited lung disease.

It needed the IPO lifeline based on the US\$15.8m of cash on the balance sheet as of June 30. The IPO gives Inhibrx more than a year's worth of financial runway.

Robert Sherwood

day as 3.78m shares changed hands (a \$39.33 VWAP).

Biotech M&A provided a tailwind.

Johnson & Johnson announced a US\$6.4bn cash bid for Momenta Pharmaceuticals on Wednesday morning. This was after Sanofi announced its US\$3.7bn cash bid for Principia Biosciences earlier in the week.

Investors had considerable conviction in backing Harmony since it has an FDA-approved drug called Wakix that treats excessive daytime sleepiness caused by narcolepsy.

The IPO values Harmony at approximately US\$1.5bn based on a drug with just over US\$100m of annual sales at the current six-month run rate.

The biotech is using the IPO proceeds to fund clinical trials that would expand Wakix approval for cataplexy in adult narcolepsy patients and juvenile patients with narcolepsy.

Other drugs are FDA-approved for narcolepsy including stimulants like Xyrem, Ritalin and Adderall.

Wakix is the only FDA-approved narcolepsy drug that is not derived from a controlled substance, a competitive advantage for Harmony in treating narcolepsy patients under the age of 19.

■ MAPLE/JAB LIGHTENS KEURIG STAKE YET AGAIN

JAB Holdings, the German investment group backed by the billionaire Reimann family, made another small dent in its large holding in beverage company **KEURIG DR PEPPER** by selling a 3% stake worth

US\$1.3bn via an overnight stock sale late on Monday.

Goldman Sachs reoffered 45m shares at US\$29.15, the bottom of the US\$29.15–\$29.30 range and a 2% discount to last sale.

The offering, the week's largest stock sale, took a little digesting by investors.

Keurig stock traded as low as US\$28.35 in Tuesday's aftermarket before closing at US\$29.10 or a little below the offering price.

The sale cut the JAB-controlled Maple Holdings vehicle's Keurig stake to 48.4% (681m shares) from 51.6% and follows a string of sell-downs this year by it and fellow large shareholder Mondelez International. Those holdings are a legacy of the 2018 merger of Keurig Green Mountain and Dr Pepper Snapple.

The latest Keurig block came just two weeks after Mondelez sold 14.1m shares at the higher price of US\$29.45 via Morgan Stanley in an unregistered offering. Mondelez holds another 170m shares or 12.1%.

Maple/JAB has agreed to a 75-day lock-up on further sales, but it can distribute shares to its ultimate equity owners and their limited partners to further reduce the overhang.

In June, Maple/JAB did just that by distributing a 10.1% Keurig stake (143m shares) to minority partners to cut its stake to 52.6%. This move increased Keurig's free-float to more than a third after a six-month lock-up period for half of the stock and one year for the rest.

■ SINGLE FAMILY REIT TAKES HOME

AMERICAN HOMES 4 RENT plans to cut debt and fund acquisitions with the proceeds from Monday night's US\$364m primary block trade.

Bank of America and *Morgan Stanley* led the upsized sale of 13m shares or just 4.3% of the single family home REIT, reoffering them at US\$28.00, the lower half of the US\$27.78–\$28.50 reoffer range and a 2.5% discount to last sale.

The offering was increased from 11m shares at launch in response to solid demand.

The offering comes as talk of a Covid-19 flight from the big cities to houses in the suburbs is highlighting the defensive appeal of single-family housing REITs versus the uncertain fate facing other corners of the real estate sector. American Homes owns 53,000 individual homes.

Through August 19, the three publicly traded single-family housing REITs (Invitation Homes, American Homes, and the lesser known Front Yard Residential Corp) have on average traded flat this year versus a 19.2% decline in total returns from residential REITs (mainly apartment REITs) and an 11.8% decline in the FTSE Nareit All Equity REIT Index.

The deal marked the once-regular issuer's return to ECM, having last sold stock in August 2017 via a US\$312m primary block at US\$21.97.

American Homes plans to use the net proceeds to repay indebtedness under its US\$105m revolver, to develop new properties and communities, to acquire and renovate properties and for general corporate purposes.

■ FOLEY BACKS UP SPAC FOR US\$1.3bn

Veteran deal-maker Bill Foley added another SPAC to his burgeoning investment empire,

raising an upsized US\$1.3bn for the NYSE IPO of **FOLEY TRASIMENE ACQUISITION II**.

Credit Suisse and Bank of America took out a day of marketing before upping the deal size from US\$1.2bn at launch.

The largest of eight SPAC IPOs to price and debut in the past week, Foley Trasimene sold 130m units at US\$10 each, with each unit comprising one share and one-third warrant.

The units traded flat on debut Wednesday, budging little from the IPO price.

The SPAC is seeking to capitalise on Foley's "tactical, operational and organisational experience" and the "transformative impact" his track record can have on a target business, according to a term sheet sent to investors.

Although the SPAC may pursue targets in any industry, initially it will focus on Foley's pet areas of financial technology and information/business services.

Foley, who has now brought three SPACs to market this year, is particularly interested in businesses that have "unseen potential" for revenue growth and operating margin

expansion with high recurring revenue and cashflow, defensible intellectual property and strong market positions.

On a recent earnings call for his separate/related publicly traded Cannae vehicle's earnings call, Foley said the vehicle could buy targets anywhere in size from US\$4bn to US\$10bn, noting his team was looking at many transactions all at once.

Foley has some pedigree in the SPAC space beyond just raising money.

In league with Chinh Chu, Foley completed a SPAC acquisition when their CF Corporation bought Fidelity & Guaranty Life and then sold it to his original business, Fidelity National Financial, for US\$12.50 a share.

PLYMOUTH RAISES US\$96.4m

PLYMOUTH INDUSTRIAL REIT raised US\$96.4m or about one-third of outstanding from an upsized overnight stock sale late on Tuesday, becoming one of surprisingly few REITs to tap investors for capital during Covid-19.

Joint bookrunners Barclays, KeyBanc Capital Markets, BMO Capital Markets and JP Morgan wall-crossed accounts, including the REIT's top 10 holders before pricing the upsized sale of 7.5m primary shares at US\$12.85. That was towards the lower end of the US\$12.50–\$13.25 range and a 6.9% discount to last sale.

Upped from 5.75m shares at launch, the offering equated to 32% of expanded shares outstanding and was Plymouth's fourth follow-on since its under-the-radar 2017 IPO.

Though the shares still trade below the REIT's US\$19.00 IPO price (trading down to US\$12.50 last week), they have held their ground this year even as total returns from the FTSE Nareit All Equity REIT Index have fallen more than 10%.

Other than data centre and infrastructure REITs, industrial REITs have notched the best year-to-date returns of any sub-sector, nearly 13% on a total return basis going into the offering.

"To be able to raise north of 30% of market cap inside a 7% discount on an overnight basis just shows how strong the institutional

ECM DEALS: WEEK ENDING 21/8/2020

Stock	Country	Date	Amount	Price	Deal type	Bookrunner(s)
Summit Industrial Income REIT	Canada	20/08/2020	C\$150m	C\$12	Accelerated bookbuild (Primary)	BMO CM
Horizon Acquisition	Cayman Islands	20/08/2020	US\$500m	US\$10	SPAC IPO (Primary)	Credit Suisse, RBC CM
China Merchants Securities	China	19/08/2020	HK\$2.4bn	HK\$8.18	Follow-on (Primary)	China Merchants Securities, Citic Securities, CMB Intl
Futu	China	18/08/2020	US\$313.5m	US\$33	Follow-on (Primary)	Goldman Sachs, Credit Suisse, UBS
Futu Holdings	China	19/08/2020	US\$314m	US\$33	Follow-on (Primary)	Goldman Sachs, Credit Suisse, UBS, Haitong Intl
Irco Group New Energy	China	18/08/2020	HK\$2bn	HK\$1.12	Follow-on (Primary)	China Securities Intl, Guotai Junan Intl
Kingdee International Software	China	21/08/2020	HK\$2.38bn	HK\$17.82	Follow-on (Primary)	JP Morgan
RWE	Germany	18/08/2020	€2,000m	€32.55	Accelerated Bookbuild (Primary)	Barclays, BofA, Goldman Sachs
The Phoenix Mills	India	17/08/2020	Rs11bn	Rs605	Follow-on (Primary)	CLSA, HSBC, Kotak, UBS
Nano-X Imaging	Israel	20/08/2020	US\$165.6m	US\$18	IPO (Primary)	Cantor, Oppenheimer, Berenberg, CICC
Grace Technology	Japan	18/08/2020	¥12bn	¥4,626	Follow-on (Secondary)	Goldman Sachs
Adyen	Netherlands	20/08/2020	€692.9m	€1365	Accelerated Bookbuild (Secondary)	Goldman Sachs, JP Morgan
Wilmar International	Singapore	19/08/2020	S\$750m	S\$4.40	Follow-on (Secondary)	BofA, Citigroup, CS, Barclays, BNP Paribas, Deutsche Bank
BHG Group	Sweden	18/08/2020	SKr706m	SKr96.50	Accelerated Bookbuild (Secondary)	Carnegie, SEB
Cellink	Sweden	19/08/2020	SKr946m	SKr160	Accelerated Bookbuild (Primary)	Carnegie, JP Morgan
American Homes 4 Rent	US	17/08/2020	US\$364m	US\$28	Accelerated follow-on (Primary)	BofA, Morgan Stanley
Avantor	US	19/08/2020	US\$1,100.9m	US\$19.80	Accelerated bookbuild (Secondary)	Goldman Sachs, JP Morgan
Cal-Maine Foods	US	19/08/2020	US\$234m	US\$39	Follow-on (Secondary)	BofA, Stephens
Cononnade Acquisition	US	20/08/2020	US\$200m	US\$10	SPAC IPO (Primary)	BTIG
Fast Acquisition	US	20/08/2020	US\$200m	US\$10	SPAC IPO (Primary)	Citigroup, UBS
Foley Trasimene Acquisition II	US	18/08/2020	US\$1,300m	US\$10	SPAC IPO (Primary)	Credit Suisse, BofA
Forum Merger III	US	18/08/2020	US\$250m	US\$10	SPAC IPO (Primary)	Jefferies
Harmony Biosciences	US	18/08/2020	US\$128.4m	US\$24	IPO (Primary)	Goldman Sachs, Jefferies, Piper Sandler
Inhibrx	US	18/08/2020	US\$119m	US\$17	IPO (Primary)	Jefferies, Evercore, Credit Suisse
iRhythm Technologies	US	18/08/2020	US\$190.8m	US\$175	Accelerated follow-on (Primary)	Morgan Stanley, JP Morgan
Keurig Dr Pepper	US	17/08/2020	US\$1,311.8m	US\$29.15	Accelerated bookbuild (Secondary)	Goldman Sachs
Kymera Therapeutics	US	20/08/2020	US\$173.7m	US\$20	IPO (Primary)	Morgan Stanley, BofA, Cowen, Guggenheim
Northern Genesis Acquisition	US	17/08/2020	US\$300m	US\$10	SPAC IPO (Primary)	Raymond James, EarlyBirdCapital
One	US	17/08/2020	US\$200m	US\$10	SPAC IPO (Primary)	Goldman Sachs
Sabre	US	19/08/2020	US\$250m	US\$7	Follow-on (Primary)	Morgan Stanley, BofA, Goldman Sachs, Mizuho, Wells Fargo, Deutsche Bank, Citigroup
Star Peak Energy Transition	US	17/08/2020	US\$350m	US\$10	SPAC IPO (Primary)	Credit Suisse, Goldman Sachs
ZoomInfo Technologies	US	19/08/2020	US\$552.8m	US\$37	Follow-on (Secondary)	JP Morgan, Morgan Stanley, Barclays, Credit Suisse
Fiserv	US	18/08/2020	US\$500m	US\$100	Accelerated bookbuild (Secondary)	KKR
Plymouth Industrial REIT	US	18/08/2020	US\$96.4m	US\$12.85	Accelerated follow-on (Primary)	Barclays, KeyBanc CM, BMO CM, JP Morgan

ZoomInfo returns in record time with US\$552.7m secondary

■ US B2B data provider's sponsors offload 4% stake

ZOOMINFO TECHNOLOGIES completed one of the quickest first-time follow-ons on record, pricing an upsized US\$552.7 secondary sale by sponsor backers TA Associates, Carlyle and 22C Capital just months after the business intelligence data provider went public.

After agreeing to the early waiver of standard 180-day IPO lockups and after two days of marketing, a syndicate led by *JP Morgan* and *Morgan Stanley* late on Wednesday priced 14.93m shares or less than 4% of ZoomInfo at US\$37.00, a 6.6% file-to-offer discount. The shares closed at US\$38.03, or a little above that mark, in Thursday's aftermarket.

The secondary, upped from 12m shares at launch, priced just two and a half months after ZoomInfo went public in early June at US\$21.00 a share.

After drawing heavy demand for the IPO, the stock soared to a record high of US\$64.40

on June 9, though it pulled back to just under US\$40 a share ahead of the secondary.

SPEED

The speed of ZoomInfo's return to ECM outpaced similar exercises by some of 2019's hottest IPOs, including Beyond Meat (three months after its IPO), Grocery Outlet (three and a half months) and Dynatrace (four months).

"You can (allow early lockup release) when the stock has done really well because investors won't complain," one ECM banker said.

The relatively small size of ZoomInfo's secondary (as a percentage of the company) and their large ongoing stake also blunted concerns that insiders were simply taking advantage of buoyant tech valuations inflated by ZoomInfo's tight free-float.

The company's second-quarter earnings release on August 10 only seemed to reinforce

the reasons that investors like ZoomInfo, whose cloud-based platform provides business leads to sales and marketing teams.

ZoomInfo reported 40% organic growth and guided to 36% growth in revenues this year, though this may already be reflected in a stock that trades at a premium 2021 EV/sales multiple of more than 25.

In a note to clients last week Credit Suisse analysts said ZoomInfo's results suggested "Covid-19 is accelerating the shift to digitally enhanced go-to-market mechanisms including intelligence solutions".

Even after the offering, the sponsors still control the company with roughly 70% voting power.

ZoomInfo's sponsors seem to have decided pretty quickly after the IPO they would take some profits. According to SEC records, the secondary was first filed confidentially for regulatory review on July 13 or just a month and a half after the IPO.

Anthony Hughes

demand was," one banker close to the deal said.

The offering drew a good mix of REIT-dedicated investors and REIT funds within long-only complexes. The wall-cross enabled the syndicate to launch the offering with a covered message.

Plymouth, which owns nearly 100 warehouses and other industrial properties in secondary markets, flagged two small acquisitions totalling US\$46m (in Florida and Missouri) and has US\$350m of potential acquisitions in its pipeline.

■ CAL-MAINE MAKES RARE ECM VISIT

Less than three weeks after organic egg producer Vital Farms staged an impressive debut, one of the public comps for that exercise, **CAL-MAINE FOODS**, emerged with a US\$234m stock sale.

After two days of marketing, *Bank of America* and *Stephens* priced the sale of 6m Cal-Maine shares or about 15% of the company at US\$39.00, a hefty 15.3% file-to-offer discount.

All of the shares came from the family of late founder Fred Adams, who died in March after founding the company in 1959 and leading it until 2012.

The family informed the company they were selling to pay estate taxes resulting from his passing and to generate liquidity.

The offering was essentially a re-IPO since Cal-Maine had not undertaken a stock sale at any time in recent decades.

Its share enjoyed a small boost in the weeks since Vital went public in late July (versus Vital's 65% post-IPO gain).

Cal-Maine Farms is the incumbent rival as the largest egg producer (conventional, cage-free, organic or otherwise) in the US.

The sale cut the family's combined stake from 26.4% to 10.7%, assuming full exercise of the greenshoe.

Adams (who died after an extended illness) did not live quite long enough to see a big boost to the egg business from Covid-19, which cured an oversupplied market and lifted prices.

Cal-Maine reported last month that sales in its fiscal fourth-quarter sales (the three months ended May 30) surged 61.6% to US\$453.3m as stay-at-home orders caused a spike in grocery demand.

Cal-Maine offered investors a lot cheaper way to play the egg market revival, its stock trading at well under two times sales versus high single-digits for the ESG-friendly Vital.

■ IRHYTHM SURGES ON EQUITY RAISE

IRHYTHM TECHNOLOGIES, a maker of wearable medical devices, traded almost like a hot IPO after raising US\$190.8m from an overnight stock sale last week.

Morgan Stanley and *JP Morgan* placed 1.09m shares at US\$175.00, within the US\$174–\$175.38 Tuesday overnight marketing range, with the top of the range flat to the last sale.

About 80% of the deal went to a single investor called Sands Capital, which put in for up to US\$150m.

There were other technical matters that influenced the outcome.

The deal was well-telegraphed after iRhythm filed an offer document the previous Friday, a move that seems counterproductive to overnight marketing.

Not surprisingly, iRhythm shares dipped after the filing appeared to US\$175.38 ahead of the offering, versus a 52-week high of US\$217.58 two weeks prior.

iRhythm's shares soared 18.8% back to US\$208.30 on Wednesday after the equity overhang was removed.

iRhythm reported a better than expected US\$50.9m of Q2 revenue on August 6, beating analysts' expectations.

The bigger news came two days earlier when Medicare and Medicaid proposed new rules that would increase patient reimbursements for wearable health monitors like iRhythm's Zio XT device.

The device allows doctors to remotely monitor patients at high risk for cardiac events like arrhythmia, limiting the need for in-person doctor visits.

Being able to monitor patients remotely has obvious benefits during a pandemic, though iRhythm has some downside exposure to Covid-19.

Zio XT is expensive.

iRhythm is concerned that many patients that become unemployed and lose their health insurance because of Covid-19 will stop using Zio XT because of the cost.

NEW MOUNTAIN ACCELERATES AVANTOR SELL-DOWN

The sponsors behind **AVANTOR** sold US\$1.1bn of stock via a block trade late on Wednesday, upsizing the deal substantially into strong demand for the lab products supplier's shares.

Goldman Sachs and *JP Morgan* reoffered 55.6m shares or 9.6% of the company at US\$19.80, the bottom of the US\$19.80–\$20.00 reoffer range and a 5% discount to last sale.

The offering was upsized by a hefty 44% from 38.5m shares at launch. Investors did not seem to mind the extra supply, the stock gaining ground to close at US\$21.17 in Thursday's aftermarket in one of the better outcomes recently from a big sponsor block.

The deal marked the latest sell-down by sponsors New Mountain Capital and Goldman Sachs (the latter via its principal investment funds), which cut their stakes immediately after the expiration of the 90-day lock-up on their last sell-down in May. That trade involved 45m shares at US\$16.25 a share.

Though the final split was yet to be disclosed as of late on Thursday, the original terms had New Mountain selling 15.4m shares or 40% of the offering to cut its stake to 13% from 16% and Goldman selling 9.3m shares to cut its stake to 9% from 10%.

The other sellers included smaller legacy shareholders, including some pension funds.

Though Avantor's revenues have been hurt by Covid-19 (slightly falling sales), the company has enjoyed a few tailwinds lately, including broker upgrades after its second-quarter earnings beat and an S&P credit ratings upgrade earlier this month.

STRUCTURED EQUITY

UNITED STATES

CB ISSUANCE REBOUNDS

Convertible bond issuance accounted for much of the action in US ECM in the past week, both from companies thriving during Covid-19 and some looking to bridge their finances through difficult times.

Its stock price bolstered by high demand for online learning platforms during Covid-19, **CHEGG** late on Tuesday opportunistically raised US\$900m from a six-year CB. The offering was increased in size from US\$750m after a day of marketing.

Sole bookrunner *Morgan Stanley* priced Chegg's third CB with a 0% coupon and a 37.5% conversion premium, the issuer-friendly ends of talk.

Chegg is using US\$93.1m of the proceeds to buy a call spread to further defer dilution to higher share prices. It is also exchanging US\$172m of principal on an existing 2023 maturity that is deep-in-the-money.

Those notes convert into common stock at US\$26.96 versus Thursday's US\$77.90 close. Chegg also expects to issue 4.2m new shares of its common stock as part of the exchange.

The offering came a few weeks after Chegg revealed an earnings beat and raise, lifting its stock price to a record high of US\$89.82 on August 6.

Another Covid-19 beneficiary, online craft retailer **ETSY** became just the latest e-commerce company to raise capital in the wake of startling recent stock price gains.

After a day of marketing, Etsy priced a seven-year CB at aggressive terms including a 0.125% coupon and 52.5% conversion premium, the issuer-friendly ends of talk.

Goldman Sachs was sole bookrunner.

A portion of the proceeds will be used to buy a call spread to reduce potential dilution and to repurchase a deep-in-the-money five-year CB maturing in 2023 – the conversion price on that security was US\$36.27.

Now sporting a US\$16bn market cap and already carrying US\$1.1bn of cash and

equivalents at the end of the second quarter, Etsy also disclosed it was resuming a suspended US\$200m share repurchase programme with US\$77.5m worth of shares left to buy back under this programme.

Etsy's second quarter saw its revenue surge 137% and reported earnings of 75 cents a share.

Hailing from a rather less celebrated sector of the market, **ANTERO RESOURCES**, an energy E&P focused on the Appalachian basin, priced a US\$250m six-year CB at a coupon of 4.25% and 20% conversion premium, the investor-friendly ends of the 3.75%–4.25%, up 20%–25% marketing ranges.

JP Morgan, *Barclays* and *Credit Suisse* were joint bookrunners.

Antero's stock price has rebounded 30% this year but from depressed levels.

At Thursday's US\$3.60 close, the stock remains well below the US\$20-plus levels that prevailed in 2018.

Antero plans to use the CB proceeds to repay debt and fund pending tender offers and comes as it is pulling back capex to maximise free cashflow and reduce debt.

At June 30, the company had US\$1bn of liquidity after selling US\$531m of assets relative to its 2020 asset sale target of US\$750m–\$1bn, but it still carries US\$3.5bn of debt.

CINEMARK PUNCHES TICKET ON US\$400m CB

Having survived a full shutdown of its movie theatres because of Covid-19, **CINEMARK HOLDINGS** raised US\$400m from a five-year convertible bond last week as it prepares to reopen some of theatres in coming weeks.

Cinemark, which shuttered its theatres in March, reported a net loss of US\$170m on just US\$9m of revenue in Q2, with no sales from admissions.

It stayed afloat by drawing US\$98m from a revolving credit facility and issuing US\$250m of high-yield debt in April, following a credit downgrade by Moody's to B2.

Cinemark common shares plunged 13.7% to US\$11.04 while marketing on Tuesday. That is still nearly double the 52-week low of US\$5.71 on March 18.

Barclays, *JP Morgan*, *RBC Capital Markets* and *Wells Fargo* placed the CB at a coupon of 4.5%

Are your colleagues as well-informed as you?

Considerable discounts are available to companies with multiple subscriptions to IFR.

To discuss your requirements, please contact your local IFR representative:

EMEA: +44 (0)20 7542 45 69, cmi.emeasales@refinitiv.com

Americas: +1 (646) 223 5543, cmi.americassales@refinitiv.com

Asia-Pacific and Japan: +852 291 26606, cmi.asiasales@refinitiv.com

TAG provides real-estate exposure with €470m six-year paper

■ GERMANY Fast-covered deal is only the second real-estate CB since June 2019

There was speedy coverage on Thursday morning for a rare August issuance of convertible bonds, with Germany's **TAG IMMOBILIEN** providing investors with real-estate paper for just the second time in Europe in 2020, both the sector and country having dominated equity-linked in previous years.

The new paper, totalling €450m with an upsize to €470m and with a six-year tenor, is part of a liability management exercise with TAG Immobilien also taking out an aggregate €131m of outstanding €262m 0.625% CBs due 2022 through a modified Dutch auction.

Proceeds will finance the tender as well as acquisitions of properties in Germany of more than 4,200 units for €162.7m. TAG said that a total of 4,218 apartments were acquired across several transactions this year, all in core regions in East Germany, with an annual gross yield of close to 7% and with the expectation that all will close before the end of the year.

Cash from the CBs will also be used for general corporate purposes, including further acquisitions in Germany and Poland and/or the early repayment of debt.

RESIDENTIAL REBOUND

A banker involved on the CB said that residential real estate had largely recovered from the initial impact of the coronavirus pandemic, with interest rising versus commercial real estate that is still facing a tough time.

Having dropped below €15 in mid-March, TAG shares are up more than 6% year-to-date,

having closed on Wednesday at €23.80. The stock was up another 6% at €25.28 after 3pm on Thursday when pricing was announced and the shares closed up nearly 7% at €25.44.

Part of that rise was down to strong financial numbers, which included news on German property acquisitions this year. TAG reported funds from operations were up 9% year-on-year with NAV per share up 3% since December and hardly any rent losses in the first half.

There was pre-sounding for the 2026 CBs on Wednesday, which culminated with indications of interest in excess of the deal size. The bonds were offered on Thursday morning with a coupon of 0.375%–0.875% and a premium of 32.5%–37.5% over the VWAP set on Thursday and Friday, the slated period for the tender for the 2022 CBs.

TAG Immobilien is rated Baa3 (stable) by Moody's, which provided the main input for a credit assumption of 150bp as the outstanding CB is deep in the money and "trading like equity". As a result, implied vol was 13.5%–20.5% and the bond floor was 95.6%–98.5% on guidance. There was little pushback on the credit assumption and borrow was available at 50bp.

Formal coverage came quickly on Thursday morning, with investors guided towards pricing at the mids on the full upsize. Investors were also informed on Thursday morning that the tender was already oversubscribed.

The upsize €470m transaction was priced as expected at mid-terms with a coupon of 0.625% and a premium of 35%, with the reference price

due at the end of Friday when the tender wraps up. The underlying represented 9.9% of share capital. The bonds can be called from four years at a 130% hurdle.

LONG-ONLY PLAY

A book of more than 100 lines was driven by long-only demand, with a second banker on the deal saying that while real estate is seen more as a long-only play, there were also a number of real-estate focused hedge funds involved.

"There is a lot of fundamental support for this sector, it's less of a vol play," he said. "What is attractive is that you can anchor your portfolio with this kind of steady-as-you-go name. It may not be a spectacular return that you may get with the more recent techy names, but you know there is no concern about disappointment."

German peer LEG Immobilien raised €823m in June from a €550m 2028 CB and €273m of equity, the first new real-estate paper at the time since June 2019.

The full two days was not required for the buyback, which wrapped up on Friday morning with €131m bought back at a purchase price of €136,700 per €100,000 of principal. Accrued interest takes the final amount to €305.71 per outstanding convertible bond.

A final reference price for the new CB was due late Friday.

Goldman Sachs and *Jefferies* are global coordinators on the TAG deal, and bookrunners with *Societe Generale*.

Robert Venes

and a conversion premium of 20% versus talk of 4.5%–5.0%, up 20%–25%.

The new CB also represents a cheaper form of financing than the 8.75% coupon on Cinemark's high-yield debt.

Cinemark preserved cash while its theatres were closed by permanently shutting down some theatres, halting construction of new ones and by negotiating for lower/deferred rent payments with its landlords.

It also cut employee expenses (layoffs, furloughs, salary cuts) and suspended the quarterly dividend to shareholders.

The belt tightening allowed it to slash its monthly cash burn to US\$50m through July 31.

The CB proceeds would give Cinemark US\$925m of cash, funding it through the end of next year if theatres do not reopen.

■ ENVESTNET, PARSONS BRINGS CBS

Wealth management platform provider **ENVESTNET** and cybersecurity contractor **PARSONS** raced to launch convertible bond financings in Monday's pre-open to get ahead of a notable pick-up in equity-linked activity during the week.

Fresh from a beat-and-raise second-quarter release earlier this month, Envestnet took out a day of marketing before pricing a US\$450m five-year CB at a 0.75% coupon and 35% conversion premium, the issuer-friendly ends of the 0.75%–1.25%, up 30%–35% talk.

JP Morgan, *Bank of America*, *Goldman Sachs*, *BNP Paribas*, *Credit Suisse* and *MUFG* were joint bookrunners.

A portion of the proceeds will be used to repay Envestnet's revolver (it had

US\$275m outstanding from its US\$500m facility at the end of the second quarter) and the rest for selective strategic investments.

The offering followed a surge in Envestnet's stock price from US\$45.53 in early April to US\$85.10 just ahead of the launch. The shares fell 7.3% as the deal was pitched to investors.

The offering marked Envestnet's third visit to the CB market, having raised US\$350m from a five-year security at 1.75% in 2018 (in the money and still outstanding) and US\$172.5m from another five-year instrument, also at 1.75%, in 2014.

Also on Monday, Parsons was able to upsize a five-year CB to US\$350m from US\$300m at launch before pricing at a 0.25% coupon and 35% conversion

Intelligence, enhanced.

For over 40 years, IFR has been clarifying the complex global capital markets by providing intelligence on current deals and new opportunities, along with reliable data and trusted opinions.

The IFR website at www.ifre.com has been redesigned. It now features improved search capabilities, expanded navigation, powerful personalization tools and a more intuitive layout. It combines IFR's industry-leading content from across all the global capital markets asset classes onto a single, consolidated platform.

When you're looking for clarity on the global capital markets, look to the new IFR.



ifre.com/new-ifr-website

premium, the middle of the 0%–0.5% coupon talk and the issuer-friendly end of the 30%–35% conversion premium talk.

About US\$36m of the proceeds will be used to buy a call spread to offset potential dilution and the rest for general corporate purposes.

Bank of America and *Morgan Stanley* led the offering.

Parsons shares pulled back 8.8% to US\$33.20 on Monday as the offering was marketed, though they remain comfortably above the US\$27.00 price set on its IPO in May last year.

MIDDLEBY CB ADDS FINANCIAL FLEXIBILITY

Restaurant equipment supplier **MIDDLEBY** raised US\$650m from the sale of an upsized five-year convertible bond as part of a broader refinancing of its capital structure.

Bank of America, *JP Morgan*, *Wells Fargo*, *BMO Capital Markets* and *Guggenheim Securities* priced the CB at a coupon of 1.0% and a

conversion premium of 33%, the midpoints of talk of 0.75%–1.25% and 30%–35% and upsized from US\$550m.

The offering was marketed for one day alongside a new US\$3.1bn senior secured credit facility comprised of a US\$2.75bn multi-currency revolver and a US\$350m term loan maturing in January 2025.

GLOBAL CONVERTIBLE OFFERINGS

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 JP Morgan	92	16,899.47	13.8
2 Goldman Sachs	77	15,075.90	12.3
3 Morgan Stanley	69	14,071.54	11.5
4 Bank of America	67	12,612.70	10.3
5 Citigroup	43	7,705.63	6.3
6 Barclays	31	4,417.88	3.6
7 Wells Fargo	22	3,283.47	2.7
8 Credit Suisse	24	3,217.22	2.6
9 BNP Paribas	15	2,586.48	2.1
10 Citic	18	2,580.47	2.1
Total	343	122,794.76	

Including exchangeables and domestic offerings.

Source: Refinitiv

SDC code: C9

ALL INTERNATIONAL ASIAN CONVERTIBLES

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 Goldman Sachs	7	1,854.70	16.3
2 Morgan Stanley	10	1,765.62	15.5
3 UBS	7	1,370.77	12.1
4 Citigroup	7	1,203.81	10.6
5 Bank of America	4	1,084.81	9.6
6 JP Morgan	6	965.78	8.5
7 Credit Suisse	7	685.48	6.0
8 HSBC	4	382.03	3.4
9 Nomura	2	280.93	2.5
10 CICC	3	225.00	2.0
Total	29	11,358.30	

Including exchangeables.

Source: Refinitiv

SDC code: M10

“The refinancing increases Middleby’s financial flexibility and provides dry powder for acquisitions,” a structured equity banker told IFR. Middleby common shares dipped 6.3% ahead of pricing on Tuesday to US\$96.71. Middleby bullishly purchased a call-spread that would offset dilution to prices above US\$207.93 a share, a 115% premium to the reference price.

GLOBAL CONVERTIBLE OFFERINGS – US

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 Goldman Sachs	54	11,277.72	16.8
2 JP Morgan	61	11,241.59	16.8
3 Bank of America	54	10,555.84	15.8
4 Morgan Stanley	46	9,746.46	14.6
5 Citigroup	29	5,094.32	7.6
6 Wells Fargo	22	3,283.47	4.9
7 Barclays	23	2,981.45	4.5
8 Credit Suisse	15	2,421.78	3.6
9 RBC	10	1,107.74	1.7
10 Jefferies	9	877.17	1.3
Total	119	66,982.26	

Source: Refinitiv

SDC code: C9a

ALL INTERNATIONAL ASIAN CONVERTIBLES

(EXCLUDING JAPAN)

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 Goldman Sachs	7	1,854.70	18.1
2 Morgan Stanley	10	1,765.62	17.3
3 UBS	7	1,370.77	13.4
4 Citigroup	7	1,203.81	11.8
5 JP Morgan	6	965.78	9.4
6 Bank of America	3	932.85	9.1
7 Credit Suisse	5	591.00	5.8
8 HSBC	4	382.03	3.7
9 CICC	3	225.00	2.2
10 BNP Paribas	1	200.00	2.0
Total	23	10,234.33	

Including exchangeables.

Source: Refinitiv

SDC code: M11

Including exchangeables.

Source: Refinitiv

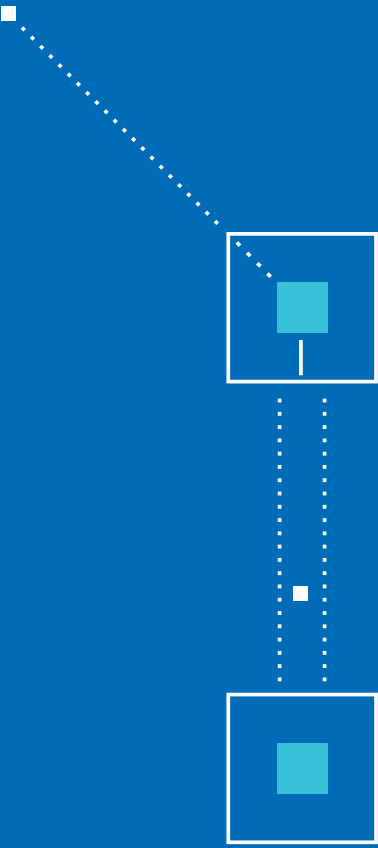
SDC code: C09d

EQUITY-LINKED DEALS WEEK ENDING: 21/8/2020

Issuer	Country	Date	Amount	Greenshoe	Tenor	Coupon/YTM %	Premium (%)	Bookrunner(s)
TAG Immobilien	Germany	20/08/2020	€470m	-	6y	0.625	35	Goldman Sachs, Jefferies, Societe Generale
Wilmar International	Singapore	19/08/2020	US\$300m	NA	3y	-1.3	22.5	BofA, Citigroup, Goldman Sachs, Barclays, BNP Paribas, Deutsche Bank, MUFG
Envestnet	US	17/08/2020	US\$450m	US\$67.5m	5y	0.75	35	JP Morgan, BofA, Goldman Sachs, RBC CM
Parsons	US	17/08/2020	US\$300m	US\$50m	5y	0.25	35	BofA, Morgan Stanley
Antero	US	18/08/2020	US\$250m	US\$50m	5y	4.25	20	JP Morgan, Barclays, Credit Suisse
Chegg	US	18/08/2020	US\$900m	US\$100m	6y	0	37.5	Morgan Stanley
Cinemark Holdings	US	18/08/2020	US\$400m	US\$60m	5y	4.5	30	Barclays, JP Morgan, RBC CM, Wells Fargo
Hannon Armstrong Sustainable Infra Capital	US	18/08/2020	US\$125m	US\$18.8m	3y	0	27.5	Morgan Stanley
Middleby	US	18/08/2020	US\$650m	US\$97.5m	5y	1	33	BofA, JP Morgan, Wells Fargo, BMO CM, Guggenheim
Etsy	US	19/08/2020	US\$650m	NA	7y	0.13	52.5	Goldman
Sabre	US	19/08/2020	US\$300m	US\$45m	3y	6.5	20	Morgan Stanley, BofA, Goldman Sachs, Mizuho, Wells Fargo, Deutsche Bank, Citigroup



THE MORE YOU LOOK, THE MORE YOU SEE.



Test your investment strategies with our
unrivalled range of data and research.

refinitiv.com



REFINITIVTM
DATA IS JUST
THE BEGINNING



EDITOR Matthew Davies +44 (0)7872 121024 DEPUTY EDITOR <i>Equities/Structured equity:</i> Owen Wild +44 (0)7881 264 973 AMERICAS BUREAU CHIEF Jack Doran +1 646 345 6302 ASSOCIATE EDITORS <i>Features and analysis:</i> Gareth Gore +44 (0)20 7542 4279 <i>US editor:</i> Stephen Lacey +1 646 223 8808 <i>Fixed-income, Emerging markets:</i> Sudip Roy +44 (0)20 7542 4617 <i>People & markets:</i> Steven Slater +44 (0)20 7542 4367 <i>Green/ESG Financing Editor:</i> Tessa Walsh +44 (0)20 7542 4048 <i>Derivatives:</i> Christopher Whittall +44 (0)20 7542 3256 MANAGING EDITOR Philip Wright +44 (0)20 7542 8144 IFR ASIA EDITOR Steve Garton +852 2912 6670 HEAD OF US CREDIT Paul Kilby +1 646 223 4733 HEAD OF ASIA CREDIT Daniel Stanton +65 6417 4548 EQUITIES EDITOR, ASIA Fiona Lau +852 2912 6673 ASSISTANT EDITORS: LONDON <i>Emerging Markets:</i> Robert Hogg +44 (0)20 7542 9077 <i>People & markets:</i> Christopher Spink +44 (0)20 7542 3814 <i>Equities/Structured equity:</i> Robert Venes +44 (0)20 7542 8326 NEW YORK <i>Equities:</i> Anthony Hughes +1 646 223 8174 SINGAPORE <i>Equities:</i> Anuradha Subramanyan +65 6417 4547 SENIOR CREDIT CORRESPONDENT Kit Yin Boey +65 6417 4549	SENIOR REPORTERS: LONDON <i>Fixed-income/Structured Finance:</i> Chris Moore +44 (0)20 7542 5018 <i>Fixed-income:</i> Jon Penner +44 (0)20 7542 7348 NEW YORK <i>Fixed-income:</i> Miluska Berrospi +1 646 223 7586 <i>People & markets:</i> Philip Scipio +1 646 223 8767 HONG KONG <i>People & markets:</i> Thomas Blott +852 2841 5878 <i>Fixed-income:</i> Carol Chan +852 2912 6604 SYDNEY <i>Fixed-income:</i> John Weavers +612 9373 1655 TOKYO <i>Fixed-income:</i> Takahiro Okamoto +813 6441 1773 REPORTERS: LONDON <i>Fixed-income:</i> David Cheetham +44 (0)7901 112 916 <i>Fixed-income:</i> Edward Clark +44 (0)207 542 7630 <i>Fixed-income:</i> Eleanor Duncan +44 (0)207 542 5016 <i>Fixed-income:</i> Tom Revell +44 (0)207 542 2794 <i>Equities:</i> Lucy Raitano +44 (0)20 7542 4282 <i>Fixed-income:</i> Malicka Sielinou +44 (0)207 542 6907 NEW YORK <i>Fixed-income:</i> William Hoffman +1 646 223 6141 <i>Equities:</i> Robert Sherwood +1 646 223 8792 <i>High-yield:</i> David Bell +1 646 223 8388 HONG KONG <i>Equities:</i> Candy Chan +852 2912 6672 <i>Fixed-income:</i> Jihye Hwang +852 2843 1679 SINGAPORE <i>Fixed-income:</i> Krishna Merchant +91 9833847353 BEIJING <i>Equities:</i> Karen Tian +86 10 6627 1045 CREDIT EDITOR Alex Chambers +44 (0)20 7542 8389 DEPUTY CREDIT EDITOR Helene Durand +44 (0)20 7542 3469	NEWS EDITORS Julian Baker +44 (0)20 7542 7432 DESK EDITORS Vincent Baby +852 2912 6612 Ian Edmondson +44 (0)20 7542 9703 David Holland +852 2912 6676 CHIEF SUB-EDITOR Richard Stanbury EDITORIAL ASSISTANT Anna Farish +44 (0)20 7542 3474 LOANS EDITOR Chris Mangham (IFR Associate Editor) +44 (0)20 7542 3582 BUREAU CHIEF: LONDON Claire Ruckin +44 (0)20 7542 1891 BUREAU CHIEF: HONG KONG Prakash Chakravarti +852 2912 6671 BUREAU CHIEF: NEW YORK Michelle Sierra +1 646 223 8592 DEPUTY EDITOR: ASIA-PACIFIC Chien Mi Wong +852 2912 6611 SENIOR REPORTERS: LONDON Sandrine Bradley +44 (0)20 7542 0651 Alasdair Reilly +44 (0)20 7542 3197 NEW YORK David Brooke +1 646 223 4697 Kristen Haunss +1 646 223 6790 Aaron Weinman +1 646 223 6278 HONG KONG Aileen Chuang +852 3761 1934 Apple Li +852 2912 6685 Evelynn Lin +852 2912 6607 SINGAPORE Mirzaan Jamwal +65 6417 4541 SYDNEY Mariko Ishikawa +61 2 9321 8179	TOKYO Wakako Sato +813 6441 1876 REPORTER: LONDON Prudence Ho +44 (0)20 7542 2875 NEW YORK Daniela Guzman +1 646 223 6667 Andrew Hedlund +1 646 223 5558 Sasha Padbidri +1 646 223 4442 PRINT/WEB PRODUCTION, LONDON <i>Head of production:</i> Clive George +44 (0)20 7542 3869 <i>IFR production manager:</i> Carole Styles Andreas Michael, Nita Webb, Gavin White GLOBAL HEAD – ADVERTISING & SPONSORSHIP SALES Shahid Hamid +65 9755 5031 ADVERTISING & SPONSORSHIP SALES DIRECTOR Leonie Welss +44 (0)20 7542 7752 GLOBAL ADVERTISING PRODUCTION MANAGER Gloria Balbastro +44 (0)20 7542 4348 SUBSCRIPTION SALES ENQUIRIES UK/EMEA: +44 (0)20 7542 4569 Americas: +1 646 223 5543 China, Hong Kong, Japan, Korean, Taiwan Alan Wong +852 2912 6606 Australia, India, Indonesia, Malaysia, Singapore, Thailand Samantha Harris +612 9373 1749 CLIENT SERVICES IFR.Clientsupport@refinitiv.com NEW ISSUES LEAGUE TABLE & DATABASE <i>Loans:</i> Iolanda Barbati +44 (0)20 7542 0971 <i>ECM:</i> Rebecca Cox +44 (0)20 7542 7376 <i>DCM:</i> Ian Willmott +44 (0)20 7542 4376 REPRINTS OR LICENCE TO COPY Gloria Balbastro +44 (0)20 7542 4348 E-MAIL ADDRESSES firstname.lastname@refinitiv.com
LONDON, HEAD OFFICE 5 Canada Square London E14 5AQ Tel +44 (0)20 7250 1122	NEW YORK 3 Times Square 18th Floor New York NY10036	HONG KONG 18th floor, ICBC Tower Three Garden Road Central Hong Kong Tel +852 3761 1800	SINGAPORE 18 Science Park Drive Singapore 118229 Tel +65 6775 5088

The contents of this publication, either in whole or part, may not be reproduced, stored in a data retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise without written permission of the publishers. Action will be taken against companies or individual persons who ignore this warning. The information set forth herein has been obtained from sources which we believe to be reliable, but is not guaranteed. Subscriptions to IFR are non-refundable after their commencement issue date. © Refinitiv 2020. Registered as a newspaper at the Post Office. Registered Office: Refinitiv, 30 South Colonnade, Canary Wharf, London E14 5EP. Registered no: 00145516, England. Printed in England by Walstead Roche Ltd. ISSN: 0953-0223. Unauthorised photocopying is illegal.



THE FIRST STEP IN CLO ANALYSIS: DETAILED, ACCURATE, AND TRANSPARENT **LPC COLLATERAL**

LPC COLLATERAL OFFERS CLO INVESTORS, MANAGERS & TRADERS A COMPETITIVE EDGE

CLO market professionals use LPC Collateral to run market value coverage analysis on CLO tranches and to compare holdings, asset breakdowns and overlap across CLOs.

LPC Collateral also includes LPC's loan market news and data, enabling users to dive into the underlying collateral of CLOs. The historical performance of CLOs can be analysed using LPC Collateral's charting function, then benchmarked against other deals and market segments.

CONNECT TO THE GLOBAL SYNDICATED LOAN MARKET WITH LPC

INTERNATIONAL FINANCING REVIEW INDEX

ACSA	57	Future Enterprises	46	Premier Oil	58
Adyen	67	General Motors	36	Prudential Financial	27
Aeromexico	61	General Motors Financial	24	Public Investment Fund	57
AES Panama	50	Genting Hong Kong	62	Qatar National Bank	49
Altera	31	GFL Environmental	29, 31	Range Resources	30
American Express	11	GlobalLogic	58	RedZed	37
American Homes 4 Rent	70	Golden Supreme International	55	Revlon	60
Amigo Holdings	33	Goldman Sachs	11	Rizal Commercial Banking Corp	48
An Ke Technology	53	Grace Technology	65	Rolls-Royce	51
Antero Resources	73	Happiest Minds Technologies	65	Roper Technologies	8, 23, 58
Ant Group	2	Harmony Biosciences	69	Rusal	2
Asplundh Tree Expert	58	HBM Holdings	64	RWE	66
Auramet	58	Helvetica Property Investors	69	Sabey	35
Australia and New Zealand Banking Group	6	Helvetica Swiss Commercial Fund	69	Sabre Corp	9
Avantor	73	Hindustan Petroleum	54	Sabre GLBL	30
Avianca	61	Hysan Development	6	Santander	35
Banco Nacional de Panama	50	Icelandair	57	Santander UK Group Holdings	27
Bank of America	11	IHS Towers	67	Sasol	68
Bank of Jinzhou	44	Indian Bank	45	Scape Urbanest Finance	52
Barclays	15	I-ne	65	Schaeffler	67
Berkshire Hathaway	11	Inhibrx	70	SDIC Power	3
Bermuda	50	Intercontinental Exchange	8	SeaCube Container Leasing	35
BHG Group	68	International Finance Corp	22	Semiconductor Manufacturing International Corporation	64
BioNTech	66	iRhythm Technologies	72	Shandong Commercial Group	45
Blackstone/GSO	34	Ista	56	Shandong Guohui Investment	45
Bluestone	37	iStar	29	Sherborne Investments	15
BMW	26	Jain Irrigation Systems	47	Shinhan Financial Group	48
BNY Mellon	11	Jay Paul Co	34	Siemens Energy	56
Boom Up Investments	44	JD Health	64	Silicon Valley Bank	15
Braskem Idesa	50	Johnson & Johnson	23	Sinopharm Financial Leasing	54
Brookfield Properties	34	JP Morgan	11, 12	Skillsoft	61
CAF	50	JW (Cayman) Therapeutics	64	SoftBank Group	32
Cal-Maine Foods	72	Keurig Dr Pepper	70	Southwestern Energy	30
Canara Bank	45	KfW	21	Stack Infrastructure	35
Carnival Corporation	19, 29	KS Drilling	54	Star Entertainment	53
Cellink	68	KS Rig Invest	54	State Bank of India	45
Chaparral Energy	61	KT Corp	48	State Bank of India Sydney	52
Chegg	73	Kymera Biosciences	69	Supreme Electronics	55
Cheng Loong Binh Duong Paper	56	Laender 59	22	Swedish Export Credit	22
China Huiyuan Juice Group	44	Lendlease Group	53	Swissport	62
China Jianyin Investment	44	LogMeln	59	Synchrony Financial	11
China Merchants Securities	64	Logos Holdco	26	TAG Immobilien	74
China Minsheng Investment Group	44	Lotus Midstream	58	Targa Resources	30
China National Chemical Corp	52	Mastercard	11	Teekay LNG Partners	31
China Taiping Insurance Group	54	Mercury NZ	26	Textainer	35
China Yangtze Power	3	Merlin Entertainments	4	Triton International	35
Cinda Securities	65	M&G Real Estate Asia	55	Turkey	48
Cinemark Holdings	73	Middleby	76	Udenna Corp	55
Cirque du Soleil	61	Mobile World Investment	56	UK Municipal Bonds Agency	20
Citigroup	15	Momenta Pharmaceuticals	23	Ukraine	49
Comstock Resources	30	Moody's	11, 18	Unedic	18
Converge ICT Solution	66	Moody's Corp	11	Unibail-Rodamco-Westfield	68
Credit Roundtable	12	Mr DIY Group	65	Union Bank of India	45
CureVac	66	M&T Bank	11	UPC	60
Deer Park CLO	34	My Money Bank	33	US Bancorp	11
Development Bank of Japan	22	Nano-X Technologies	67	Valeo Foods	59
District Docklands Pty	52	National Australia Bank	6	Vedanta Resources	43
Dufry	68	New Zealand Treasury	23	Vegfinans Innlandet	31
Ecolab	29	Nichii Gakkan	59	Vertafore	23
Ellie Mae	9	NMC Healthcare LLC	62	Vicinity Centres	53
Empresa Ferrocarriles del Estado	50	Nongfu Spring	64	Visa	11
EnBW	51	Nykredit	28	Wallenius Wilhelmsen	31
Envestnet	74	Occidental Petroleum	30	Waste Management	8
Etsy	73	Oil India	54	Waypoint REIT	24
Far East Horizon	53	Olam Treasury Pte Ltd	55	Wells Fargo	11
FCT EmeraldOne	33	Optimum Credit	33	Westpac Banking Corp	18
Finnair	24	Parsons	74	World Bank	22
Fiserv	63	Pertamina	54	World Omni	36
Foley Trasimene Acquisition II	71	Phoenix Mills'	65	Xpeng	69
Ford of Britain	51	Pike	58	Yihai Kerry Arawana	63
Fupeng Investment Management	52	Plymouth Industrial REIT	71	Zijin Mining Group	52
Futu Holdings	64	PNC	11	ZoomInfo Technologies	72

IFR's ESG Financing Briefing

IFR's **ESG Financing Briefing** is a subscription service offering daily news, data and analysis on green and ESG financing from across the Refinitiv Capital Markets Insight Team.

To subscribe or learn more, e-mail
ifr.clientsupport@refinitiv.com



Our mission: providing coronavirus aid to
North Rhine-Westphalia



Sustainable
German
Reliable.**BANK**
Guaranteed
Committed

The stripes in the graph show the average annual temperature increase in Germany from 1881 to 2018. Sustainable investments help to achieve the UN's SDGs. #showyourstripes @nrwbank

www.nrwbank.com/greenbond



NRW.BANK
Promoting Ideas